

SWARTLAND MUNICIPALITY



FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

SWARTLAND MUNICIPALITY

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SWARTLAND MUNICIPALITY

GENERAL INFORMATION

EXECUTIVE MAYOR	Councillor T van Essen
DEPUTY MAYOR	Councillor M S I Goliath
SPEAKER	Councillor A Johnson

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE:

Chairperson	Councillor T van Essen
Member	Councillor M S I Goliath
Member	Councillor C H H Hunsinger
Member	Councillor A C Sedeman
Member	Councillor M van Zyl
Member	Councillor W Wilskut

CHAIRPERSONS OF THE PORTFOLIO COMMITTEES :

Administration and Finance Portfolio	Councillor N J A Rust
Community Safety Portfolio	Councillor R F van der Westhuizen
Development Services Portfolio	Councillor R F van der Westhuizen
Technical Services Portfolio	Councillor O M Stemele

MEMBERS OF THE FINANCIAL AUDIT COMMITTEE:

Chairperson	Mr J M Bekker
Member	Ms M F Allie
Member	Mr C B de Jager
Member	Mr J J Scholtz

MEMBERS OF THE PERFORMANCE AUDIT COMMITTEE:

Chairperson	Mr J M Bekker
Member	Ms M F Allie
Member	Mr C B de Jager
Member	Mr A J B Dippenaar

GRADING OF THE LOCAL AUTHORITY:

Grade 4

AUDITORS:

Auditor-General			
1 st Floor East Block			
Business Connexion Building			
Ring Road	Private Bag X 1		
Century City	Chempet	Telephone	021-528 4100
7441	7442	Fax	021-528 4201

BANKERS:

ABSA Bank			
50 Voortrekker Road	P.O. Box 75		
MALMESBURY	MALMESBURY	Telephone	022-482 7900
7300	7299	Fax	022-487 2026

REGISTERED OFFICE:

Church Street	Private Bag X 52		
MALMESBURY	MALMESBURY	Telephone	022-487 9400
7300	7299	Fax	022-487 9440

MUNICIPAL MANAGER:

J J Scholtz

DIRECTOR: FINANCIAL SERVICES:

K C Cooper

COUNCIL MEMBERS OF THE SWARTLAND MUNICIPALITY

<i>Councillor</i>	<i>Councillor</i>	<i>Councillor</i>	<i>Councillor</i>
Abrahams Z	Humphreys F S	Rust N J A	Van der Westhuizen R F
Cleophas J H	Hunsinger C	Sedeman A C	Van Essen T
Cloete C M	Johnson A	Sneewe A M	Van Zyl M
Fortuin C	McKrieling H	Stanley B J	Wilskut W
Geel B W	Papers C H	Stemele O M	Zatu N S
Goliath M S I	Philander D B	Van der Merwe J I	

SWARTLAND MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS****for the year ended****30 June 2011*****APPROVAL OF FINANCIAL STATEMENTS***

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 87 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 32 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



J.J. Scholtz
Municipal Manager

31/08/2011
Date

SWARTLAND MUNICIPALITY**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011**

	Note	2011 R	2010 Restated R
ASSETS			
Current assets		212 326 818	235 806 910
Inventory	2	4 358 368	4 498 669
Trade Receivables from Exchange Transactions	3	28 926 428	23 558 252
Trade Receivables from Non-Exchange Transactions	4	13 564 424	19 398 208
Investments	5	70 000 000	-
Cash and Cash Equivalents	6	95 402 748	188 259 008
Operating Lease Assets	7	51 334	50 629
Current Portion of Finance Lease Receivables	11	12 350	32 102
Current Portion of Long-term Receivables	12	11 166	10 042
Non-current assets		1 697 784 720	1 675 049 695
Property, plant and equipment	8	1 663 160 826	1 640 485 194
Intangible Assets	9	128 457	98 295
Investment property	10	34 013 854	33 943 473
Finance lease receivables	11	226 464	256 448
Long- term receivables	12	255 119	266 285
Total Assets		1 910 111 538	1 910 856 605
LIABILITIES			
Current liabilities		52 830 883	57 230 840
Consumer deposits	13	5 791 841	5 414 982
Provisions	14	1 936 848	1 777 085
Creditors	15	35 399 108	39 529 479
Unspent conditional grants and receipts	16	3 182 004	3 558 232
VAT	17	1 866 701	2 202 468
Operating lease liability	7	71 004	53 876
Current portion of long-term liabilities	19	4 583 377	4 694 718
Non-current liabilities		78 116 082	88 769 731
Long-term liabilities	19	49 166 600	62 798 604
Provision for post- retirement medical aid benefits	20	24 658 015	22 385 797
Other non-current provisions	21	4 291 467	3 585 330
Total Liabilities		130 946 965	146 000 571
NET ASSETS			
Total Net Assets		1 779 164 573	1 764 856 034
Housing Development Fund	22	625 764	1 485 459
Accumulated Surplus	23	1 778 538 809	1 763 370 575
Total Net Assets and Liabilities		1 910 111 538	1 910 856 605

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011

Budget 2010 R	Budget 2011 R		Note	Actual 2011 R	Actual 2010 R
REVENUE					
154 552 136	160 398 804	Revenue from Non-exchange Transactions		157 141 828	138 804 497
56 772 984	55 402 421	Taxation Revenue		56 668 595	52 651 353
56 772 984	55 402 421	Property rates	25	56 668 595	52 651 353
89 893 597	84 839 823	Transfer Revenue		78 655 096	70 548 734
69 203 323	61 417 082	Conditional Government grants and subsidies	29	50 776 446	52 037 657
20 690 274	23 422 741	Unconditional Government and other grants		24 634 940	16 065 128
-	-	Donated Property, Plant and Equipment		3 243 710	2 445 949
110 000	11 500 000	Sale of Land Inventories		6 071 687	2 242 274
110 000	11 500 000	Revenue on sale of land		6 297 500	2 549 724
-	-	Cost of land sold		225 813	307 450
7 775 555	8 656 560	Other Revenue		15 746 450	13 362 136
3 335 660	3 671 245	Fines		5 051 764	6 414 556
2 278 995	2 635 315	Licences and permits		2 713 417	2 617 986
2 160 900	2 350 000	Income for agency services		2 300 579	2 245 343
-	-	VAT on Government grants and subsidies		5 680 690	2 084 251
-	-	Other		-	-
178 744 668	210 030 242	Revenue from Exchange Transactions		205 433 687	186 779 699
157 294 757	184 138 292	Service charges	26	179 604 701	160 725 430
1 607 467	1 779 333	Rental of facilities and equipment	28	2 408 010	2 181 895
12 932 010	11 884 533	Interest earned - external investments	27	9 484 819	13 376 892
855 000	1 033 200	Interest earned - outstanding debtors	27	1 186 874	1 258 218
6 055 434	11 194 884	Other revenue	30	12 749 283	9 237 264
333 296 804	370 429 046	Total Revenue		362 575 515	325 584 196
EXPENDITURE					
89 865 990	101 890 338	Employee related costs	31	99 506 517	87 614 611
5 548 360	5 747 480	Remuneration of Councillors	32	5 284 578	4 869 332
1 749 483	1 470 000	Impairment loss	3/4	1 434 133	1 650 879
16 866 739	73 602 871	Depreciation and Amortisation	33	65 220 464	63 106 261
15 005 945	17 357 304	Repairs and maintenance		15 344 641	13 484 312
10 387 328	5 193 248	Interest paid	34	6 269 675	7 280 825
78 629 805	103 626 347	Bulk purchases	35	100 398 750	77 899 809
3 051 040	2 861 420	Contracted services		2 884 480	2 789 995
1 236 060	1 361 060	Grants and subsidies paid	36	1 084 029	1 157 187
98 607 348	60 637 634	General expenses	38	50 229 014	92 334 922
-	-	Loss on disposal of property, plant and equipment		825 804	-
320 948 098	373 747 702	Total Expenditure		348 482 085	352 188 133
12 348 706	(3 318 656)	OPERATING SURPLUS/(DEFICIT) FOR THE YEAR		14 093 430	(26 603 937)
<i>Other income:</i>					
-	110 000	Gains on disposal of property, plant and equipment		215 109	431 016
12 348 706	(3 208 656)	SURPLUS/(DEFICIT) FOR THE YEAR		14 308 539	(26 172 921)

Refer to Appendix E (1) for explanation of variances

SWARTLAND MUNICIPALITY**STATEMENT OF CHANGES IN NET ASSETS**
FOR THE YEAR ENDED 30 JUNE 2011

	Housing Development Fund R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 01 July 2009	2 828 029	1 613 412 482	1 616 240 511
Correction of error and changes in accounting policy (Note 55)	-	174 775 998	174 775 998
Restated balance	2 828 029	1 788 188 480	1 791 016 509
Correction of error and changes in accounting policy (Note)		12 446	12 446
Restated Deficit for the year	-	(26 172 921)	(26 172 921)
Transfer from Housing Development Fund	(1 342 570)	1 342 570	-
Restated Balance at 30 June 2010	1 485 459	1 763 370 575	1 764 856 034
Surplus for the year	-	14 308 539	14 308 539
Transfer from Housing Development Fund	(859 695)	859 695	-
Balance at 30 June 2011	625 764	1 778 538 809	1 779 164 573

SWARTLAND MUNICIPALITY**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011	2010
		R	Restated R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		357 046 794	296 909 884
Cash paid to suppliers and employees		(278 163 242)	(269 279 555)
Cash generated from operations	39	78 883 552	27 630 329
Interest received		9 484 819	13 376 892
Interest paid		(6 269 675)	(7 280 825)
NET CASH FROM OPERATING ACTIVITIES		82 098 696	33 726 396
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(89 397 312)	(41 568 437)
Purchase of intangible assets	9	(56 177)	(3 435)
Purchase of investment properties	10	(1 817 900)	(885 364)
Proceeds on disposal of property, plant and equipment		-	3 388 532
Decrease in long- term receivables		59 778	201 404
Increase in investments		(70 000 000)	
NET CASH FROM INVESTING ACTIVITIES		(161 211 611)	(38 867 300)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised		17 196	99 750
Loans repaid		(13 760 541)	(4 465 879)
NET CASH FROM FINANCING ACTIVITIES		(13 743 345)	(4 366 129)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(92 856 260)	(9 507 033)
		(92 856 260)	(9 507 033)
Cash and cash equivalents at the beginning of the year		188 259 008	197 766 041
Cash and cash equivalents at the end of the year	6	95 402 748	188 259 008

SWARTLAND MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where otherwise indicated.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated:

The municipality changes an accounting policy only in the following instances:

- (a) if it is required by a Standard of GRAP; or
- (b) if it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GRAP 23: *Revenue from Non-Exchange Transactions* (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification*, Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IAS 32: *Financial Instruments - Presentation* and IAS 39: *Financial Instruments - Recognition and Measurement*.

1. 2. 3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

1. 2. 4 Useful lives of Property, Plant and Equipment

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

SWARTLAND MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 5 *Impairment: Write down of Property, Plant and Equipment and Inventories*

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment*, Accounting Policy 8.2 on *Inventory - Subsequent measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17: Property, Plant and Equipment, GRAP 12: Inventory and GRAP 102: Intangible assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management.

1. 2. 6 *Defined Benefit Plan Liabilities*

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 5 and 6 to the Annual Financial Statements.

1. 2. 7 *Provisions and Contingent Liabilities*

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes 20 and 21 and in note 49.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards were issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 25 Employee Benefits - issued December 2009
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments – issued October 2009

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26 and GRAP 103 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. BASIS OF PRESENTATION (continued)

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

The Municipality applied the principles established in the following Standards of GRAP that were issued, but are not yet effective and have not been early adopted.

Appropriate accounting policies were developed and applied when dealing with the undermentioned transactions.

Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)

Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)

Employee Benefits (GRAP 25 - issued December 2009)

Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 36 Impairment of assets - amended version effective 1 January 2010

IAS 39 Financial Instruments: Recognition and Measurement - amended version effective 1 January 2010

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, including Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year-end:

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
<i>Infrastructure</i>		<i>Buildings</i>	<i>5 - 50</i>
Roads and Paving	10 - 100		
Stormwater	50	<i>Other</i>	
Electricity	10 - 50	Specialist Vehicles	5 - 20
Water	10 - 100	Other Vehicles	5 - 10
Sewerage	10 - 100	Office Equipment	3 - 7
Landfill Sites	10 - 50	Furniture and Fittings	7 - 10
		Watercraft	15
<i>Community</i>		Bins and Containers	5
Recreational Facilities	10 - 60	Specialised Plant and Equipment	10 - 15
Security	5	Other items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

3. 7 Infrastructure Assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 8 Housing Development Fund Assets

The Housing Development Fund contains letting schemes that are included in Council's Property Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

3. 9 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3. 10 Impairment of assets

3. 10. 1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3. 10. 2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011****PROPERTY, PLANT AND EQUIPMENT (continued)****3. 10 Impairment of assets (continued)****3. 10. 2 Impairment of Non-Cash generating assets (continued)**

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non- cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

4. INTANGIBLE ASSETS**4. 1 Initial Recognition**

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria is fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet this criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development cost assets are tested for impairment annually.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

4. INTANGIBLE ASSETS (continued)

4. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. INVESTMENT PROPERTY

5. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

SWARTLAND MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

5. INVESTMENT PROPERTY (continued)

5. 2 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. 3 Subsequent Measurement - Cost Model

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

6. 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors (see note 21)
- Short-term Investment Deposits
- Cash and Cash Equivalents

In accordance with IAS 39.09 the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Loans and receivables
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

6. FINANCIAL INSTRUMENTS (continued)

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors (see note 9)
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are two main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Other financial liabilities.

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives) and are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as "Other financial liabilities".

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6. 3 Initial and Subsequent Measurement

6. 3. 1 Financial Assets:

Held-to-maturity Investments and *Loans and Receivables* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

6. 3. 2 Financial Liabilities:

Financial liabilities are recognised initially at fair value plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

6. 4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

6. FINANCIAL INSTRUMENTS (continued)

6. 4 Impairment of Financial Assets (continued)

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available-for-Sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

6. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

7. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity Risk

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 45.7 to the annual financial statements.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

8. INVENTORIES

8. 1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

8. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water and purified effluent are valued at purified cost insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

9. NON-CURRENT ASSETS HELD-FOR-SALE

9. 1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

10. REVENUE RECOGNITION

10. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10. 2 Revenue from Exchange Transactions

10. 2. 1 Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale and if payment is made five days before year end it is recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

10. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

10. 2. 4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10. 2. 5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

10. REVENUE RECOGNITION (continued)

10. 2. Revenue from Exchange Transactions (continued)

10. 2. 6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10. 2. 7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

10. 3 Revenue from Non-exchange Transactions

10. 3. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10. 3. 2 Fines

Fines constitute both spot fines and summonses for which revenue is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

10. 3. 3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

10. 3. 4 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

10. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

11. GOVERNMENT GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the grantor it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011****12. PROVISIONS**

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken;
 - when the plan will be implemented; and;
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

13. EMPLOYEE BENEFITS**13. 1 Short-term Employee Benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service) is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

13. 3 Post-retirement benefits**13. 3. 1 Defined Contribution plans**

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

SWARTLAND MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

13. EMPLOYEE BENEFITS (continued)

13. 3 Post-retirement benefits (continued)

13. 3. 2 Defined Benefit plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance. A change in accounting policy has occurred as, during previous years, actuarial gains and losses were eligible for recognition in the Statement of Financial Performance to the extent that they exceeded 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent were previously spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Multi-employer Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 46 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

14. LEASES

14. 1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

14. LEASES (continued)

14. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as revenue and the contractual payments received are recognised as an operating lease asset or liability.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, while all other borrowing costs incurred are recognised as an expense in the Statement of Financial Performance.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The Municipality is registered with SARS for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the VAT Act No 89 of 1991, and accounts for VAT on the cash basis.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011****21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 54 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 54 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events are accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the notes to the Annual Financial Statements.

24. COMPARATIVE INFORMATION**24. 1 Prior year comparatives:**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

24. 2 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been provided to these financial statements and forms part of the Annual Financial Statements.

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

2011
R

2010
R

1. GENERAL INFORMATION

Swartland Municipality (the municipality) is a local government institution in Malmesbury, Western Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

2. INVENTORY

Consumable stores - at cost	2 265 251	2 344 517
Franking Machine	7 660	667
Gift Vouchers	-	1 400
Stationery - at cost	96 970	122 722
SMS Bundles	709	997
Water - at cost	114 649	102 637
Unsold properties held for resale - at cost	1 873 129	1 925 729
Total Inventory	4 358 368	4 498 669

The cost of inventories (excluding land inventories) recognised as expense and included in "General Expenses" amounted to R 4,098,240 (2010: R 2,486,143). The cost of land inventories expensed has been separately disclosed on the Statement of Financial Performance.

Inventory to the amount of R 0 (2010: R 0) was written-down and included in "General Expenses".

3. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS**As at 30 June 2011**

	Gross Balances	Collective Provision for Impairment	Net Balances
Service Debtors	28 741 691	2 205 983	26 535 708
Electricity	17 885 336	709 638	17 175 698
Water	4 859 097	535 091	4 324 006
Sewerage	3 357 078	494 287	2 862 791
Refuse Removal	2 640 180	466 967	2 173 213
Housing rentals / installments	92 074	15 798	76 276
Other	2 719 978	405 534	2 314 444
Total: Trade Receivables From Exchange Transactions	31 553 743	2 627 315	28 926 428

**As at 30 June 2010
Restated**

	Gross Balances	Collective Provision for Impairment	Net Balances
Service Debtors	25 094 097	2 378 165	22 715 932
Electricity	14 821 144	607 517	14 213 627
Water	4 308 234	557 208	3 751 026
Sewerage	3 332 030	644 653	2 687 377
Refuse Removal	2 632 689	568 787	2 063 902
Housing rentals / installments	121 149	17 622	103 527
Other	1 449 937	711 144	738 793
Total: Trade Receivables From Exchange Transactions	26 665 183	3 106 931	23 558 252

The average credit period for consumer debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus one per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of the consumer debtors.

Management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of Consumer Debtors were determined after considering the standard terms and conditions of agreements entered into between the municipality and consumer debtors as well as the current payment ratio's of the municipalities consumer debtors.

Comparative has been restated due to the correction of an error (refer to note 55).

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
3. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
<i>3. 1 Ageing of Service Debtors</i>		
<i><u>Electricity: Ageing</u></i>		Restated
Current (0 - 30 days)	17 157 040	13 191 118
<i><u>Past Due</u></i>		
31 - 60 Days	37 563	844 533
61 - 90 Days	39 251	49 760
91 - 120 Days	36 548	28 140
121 - 150 Days	35 364	33 135
151 - 180 Days	25 169	29 513
181 - 365 Days	237 436	317 986
366 Days - 2 Years	65 146	67 688
2 - 3 Years	22 808	28 183
+ 3 Years	229 011	231 088
Total	17 885 336	14 821 144
<i><u>Water: Ageing</u></i>		Restated
Current (0 - 30 days)	3 548 995	2 489 993
<i><u>Past Due</u></i>		
31 - 60 Days	144 249	409 278
61 - 90 Days	137 660	139 196
91 - 120 Days	109 666	98 900
121 - 150 Days	97 455	92 816
151 - 180 Days	68 726	94 032
181 - 365 Days	508 697	669 923
366 Days - 2 Years	115 719	165 253
2 - 3 Years	56 567	63 128
+ 3 Years	71 363	85 715
Total	4 859 097	4 308 234
<i><u>Sewerage: Ageing</u></i>		Restated
Current (0 - 30 days)	1 809 766	1 207 672
<i><u>Past Due</u></i>		
31 - 60 Days	102 202	352 211
61 - 90 Days	106 789	110 642
91 - 120 Days	89 396	93 108
121 - 150 Days	96 577	71 156
151 - 180 Days	76 518	78 316
181 - 365 Days	753 648	974 977
366 Days - 2 Years	173 783	264 187
2 - 3 Years	97 453	110 535
+ 3 Years	50 946	69 226
Total	3 357 078	3 332 030
<i><u>Refuse Removal: Ageing</u></i>		Restated
Current (0 - 30 days)	1 535 313	1 062 918
<i><u>Past Due</u></i>		
31 - 60 Days	97 679	328 953
61 - 90 Days	80 104	88 573
91 - 120 Days	69 034	70 318
121 - 150 Days	62 353	61 644
151 - 180 Days	56 300	55 962
181 - 365 Days	491 815	640 581
366 Days - 2 Years	141 449	172 944
2 - 3 Years	58 038	89 634
+ 3 Years	48 095	61 162
Total	2 640 180	2 632 689

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R	
3. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)			
3. 1 Ageing of Service Debtors (continued)			
<u>Housing rentals / instalments: Ageing</u>			
Current (0 - 30 days)	43 505	29 440	
<u>Past Due</u>			
31 - 60 Days	2 620	11 693	
61 - 90 Days	2 250	1 503	
91 - 120 Days	2 071	1 502	
121 - 150 Days	1 623	1 510	
151 - 180 Days	1 156	1 660	
181 - 365 Days	24 771	33 363	
366 Days - 2 Years	1 575	9 442	
2 - 3 Years	2 189	10 092	
+ 3 Years	10 314	20 944	
Total	92 074	121 149	
<u>Other Debtors: Ageing</u>			
Current (0 - 30 days)	1 694 613	Restated 260 577	
<u>Past Due</u>			
31 - 60 Days	35 617	91 088	
61 - 90 Days	70 472	63 604	
91 - 120 Days	59 850	66 038	
121 - 150 Days	38 662	67 409	
151 - 180 Days	39 144	27 608	
181 - 365 Days	372 242	559 224	
366 Days - 2 Years	218 031	183 523	
2 - 3 Years	87 597	52 990	
+ 3 Years	103 750	77 876	
Total	2 719 978	1 449 937	
3. 2 Summary of Debtors by Customer Classification			
	<u>Consumers</u> R	<u>Industrial/ Commercial</u> R	<u>National and Provincial Government</u> R
30 th June 2011			
Current (0 - 30 days)	17 525 833	7 508 337	755 062
<u>Past Due</u>			
31 - 60 Days	394 311	14 863	10 756
61 - 90 Days	409 099	18 848	8 579
91 - 120 Days	340 725	19 955	5 886
121 - 150 Days	319 113	9 224	3 697
151 - 180 Days	255 723	6 120	5 171
181 - 365 Days	2 258 937	85 149	44 522
366 Days - 2 Years	647 353	55 728	12 622
2 - 3 Years	289 524	31 434	3 694
+ 3 Years	477 814	26 933	8 731
Sub-total	22 918 432	7 776 591	858 720
Less: Collective Provision for Impairment	(1 867 666)	(759 649)	-
Total debtors by customer classification	21 050 766	7 016 942	858 720

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****3. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)****3. 2 Summary of Debtors by Customer Classification (continued)**

	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
	R	R	R
30th June 2010			
Restated			
Current (0 - 30 days)	12 693 329	4 963 020	585 369
<i>Past Due</i>			
31 - 60 Days	1 637 986	339 253	60 516
61 - 90 Days	418 995	26 365	7 916
91 - 120 Days	320 517	31 423	6 066
121 - 150 Days	294 226	26 521	6 924
151 - 180 Days	265 114	16 742	5 235
181 - 365 Days	2 948 439	189 148	58 466
366 Days - 2 Years	801 169	50 329	11 538
2 - 3 Years	311 493	36 972	6 097
+ 3 Years	479 327	57 469	9 219
Sub-total	20 170 595	5 737 242	757 346
Less: Collective Provision for Impairment	(2 518 502)	(588 429)	-
Total debtors by customer classification	17 652 093	5 148 813	757 346

Comparative has been restated due to the correction of an error (refer to note 55).

2011
R

2010
R

At 30 June 2011 debtors of R 3,137,196 (2010: R 5,316,534) were past due but not impaired. The age analysis of these debtors are as follows:

		Restated
31 - 60 Days	419 930	2 037 755
61 - 90 Days	436 526	453 277
91 - 120 Days	366 565	358 007
121 - 150 Days	332 034	327 671
151 - 180 Days	267 013	287 090
181 - 365 Days	1 315 128	1 852 734
+ 1 Year	-	-
Total	3 137 196	5 316 534

3. 3 Reconciliation of Collective Provision for Impairment on debtors

Balance at beginning of the year	3 106 931	2 860 436
Contribution to Provision	1 611 274	1 209 466
Bad debts written off against provision	(2 090 890)	(962 971)
Balance at end of year	2 627 315	3 106 931

4. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

		Restated
Property Rates	7 922 481	8 014 580
Payments made in advance	134 609	139 611
Insurance claims	16 774	9 821
Government grants and subsidies (Past due and not impaired)	1 070 498	9 137 559
Sundry debtors	5 546 050	3 574 060
Gross Balances	14 690 412	20 875 631
<i>Less: Collective Provision for Impairment</i>		
Rates	(1 003 246)	(1 350 473)
Other	(122 742)	(126 950)
Net Balances	13 564 424	19 398 208

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
4. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)		
<i>Rates: Ageing</i>		Restated
Current (0 - 30 days)	4 776 067	3 678 138
<i>Past Due</i>		
31 - 60 Days	211 091	722 549
61 - 90 Days	191 867	271 085
91 - 120 Days	108 200	126 944
121 - 150 Days	107 902	88 167
151 - 180 Days	56 073	62 399
181 - 365 Days	1 827 494	2 293 014
366 Days - 2 Years	365 361	457 668
2 - 3 Years	167 804	90 041
+ 3 Years	110 622	224 575
Total	7 922 481	8 014 580
<i>Other Debtors: Ageing</i>		Restated
Current (0 - 30 days)	6 767 607	12 858 957
<i>Past Due</i>		
31 - 60 Days	2	12
61 - 90 Days	2	12
91 - 120 Days	2	12
121 - 150 Days	2	12
151 - 180 Days	2	12
181 - 365 Days	118	763
366 Days - 2 Years	23	205
2 - 3 Years	32	186
+ 3 Years	141	880
Total	6 767 931	12 861 051
At 30 June 2011 debtors of R 3,146,738 (2010: R 2,861,113) were past due but not impaired. The age analysis of these debtors are as follows:		
		Restated
31 - 60 Days	211 093	722 561
61 - 90 Days	191 869	271 096
91 - 120 Days	108 202	126 956
121 - 150 Days	107 904	88 179
151 - 180 Days	56 074	62 412
181 - 365 Days	1 827 612	1 589 909
+ 1 Year	643 984	-
Total	3 146 738	2 861 113
<i>Reconciliation of Collective Provision for Impairment on Other debtors</i>		
Balance at beginning of the year	1 477 423	1 179 854
<i>Contributions to provision</i>		
Rates	-	393 103
Other	-	48 311
<i>Bad debts written off against provision</i>		
Rates	(171 703)	(143 845)
Other	(2 590)	-
Reversal of provision	(177 142)	-
Balance at end of year	1 125 988	1 477 423

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R

4. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

The claims instituted against the municipality's insurance company are supported by valid insurance claims that are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

The average credit period for government grants and subsidies is dependant on the Government Department involved and the nature of claim. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality per allocations made in the Division of Revenue Act or based on agreements between the municipality and the relevant departments. Government grants and Subsidies receivable are past due and not impaired as management have no concerns over the credit quality of these assets.

The average credit period for other debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus one per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of the other debtors.

Management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values.

The fair value of Other Debtors were determined after considering the standard terms and conditions of agreements entered into between the municipality and National/Provincial Departments as well as other sundry debtors. The payment ratios of other debtors were also taken into account for fair value determination.

The provision for impairment on Other Debtors (loans and receivables) exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The total amount of the provision for impairment created is R 3,753,303 (2010: R 4,584,354) and the following loans and receivables are included therein:

Consumer Debtors	2 627 315	3 106 931
Sundry Debtors	1 125 988	1 477 423
Total Allowance for Doubtful Debts on Debtors	3 753 303	4 584 354

5. INVESTMENTS**Financial Instruments**

Fixed Deposits	70 000 000	-
Total Investments	70 000 000	-

6. CASH AND CASH EQUIVALENTS

Bank balances and cash	95 385 618	188 241 878
Petty Cash Advances	17 130	17 130
Total cash and cash equivalents	95 402 748	188 259 008

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account) (OTM account)

ABSA Bank Limited - Public Sector: Account Number 40 5369 2381

Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
6. CASH AND CASH EQUIVALENTS (continued)		
<u>Current Account</u>		
ABSA Bank Limited - Public Sector: Account Number 40 5369 1741		
Bank statement balance at beginning of year	<u>185 511 774</u>	<u>194 978 881</u>
Bank statement balance at end of year	<u>91 006 585</u>	<u>185 511 774</u>
<u>Current Account (ACB account)</u>		
ABSA Bank Limited - Public Sector: Account Number 40 5369 2399		
Bank statement balance at beginning of year	<u>-</u>	<u>-</u>
Bank statement balance at end of year	<u>-</u>	<u>-</u>
<u>Current Account (Cash account)</u>		
ABSA Bank Limited - Public Sector: Account Number 40 5369 2466		
Bank statement balance at beginning of year	<u>-</u>	<u>-</u>
Bank statement balance at end of year	<u>-</u>	<u>-</u>
<u>Summary</u>		
Cash book balance at beginning of year	<u>188 241 878</u>	<u>197 752 511</u>
Cash book balance at end of year	<u>95 385 618</u>	<u>188 241 878</u>
Bank statement balance at beginning of year	<u>185 511 774</u>	<u>194 978 881</u>
Bank statement balance at end of year	<u>91 006 585</u>	<u>185 511 774</u>

For the purposes of the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 6.25 % to 7.25 % per annum.

Interest on overdrawn current accounts is charged at prime less 0.5 % per annum and earn interest at different rates per annum on favourable balances.

Management of the municipality is of the opinion that the carrying value of Bank Balances and Cash recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Cash and Cash Equivalents were determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

7. OPERATING LEASES**The Municipality as lessee*****Leasing arrangements:***

Operating leases relate to Buildings, Computer and other equipment with lease terms of between one to five years. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
7. OPERATING LEASES (continued)		
Buildings	1 135 352	1 642 545
Up to 1 year	423 264	507 570
1 to 5 years	712 088	1 134 975
More than 5 years	-	-
Computer and other equipment	358 886	228 483
Up to 1 year	140 291	124 887
1 to 5 years	218 595	103 596
More than 5 years	-	-
Total Operating Lease Commitments	1 494 238	1 871 028
The following payments have been recognised as an expense in the Statement of Financial Performance:		Restated
Minimum lease payments	627 520	(710 427)
Total Operating Lease Expenses - as Lessee	627 520	(710 427)

Operating leases are recognized on the straight-line basis as per the requirement of GRAP 13. In respect of non-cancellable Operating Leases the following **asset/(liability)** has been recognised:

Accrual as at 30 June		Restated
Opening balance	(53 876)	(9 447)
Operating lease payments effected	610 392	665 998
Operating expenses recorded	(627 520)	(710 427)
Total Operating Lease Assets/(Liabilities)	(71 004)	(53 876)

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment
- Vehicles

No restrictions have been imposed on the Municipality in terms of the operating lease agreements.

The Municipality as Lessor:***Leasing arrangements:***

Operating Leases relate to Investment Property owned by the municipality with lease terms of between 5 to 50 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

At the reporting date the following lease receipts were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	184 806	146 156
1 to 5 years	321 276	280 709
More than 5 years	11 501	7 520
	517 583	434 385

This impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has been a increase in current year income of R 706.

Operating leases are recognized on the straight-line basis as per the requirement of GRAP 13. In respect of non-cancellable Operating Leases the following **asset/(liability)** has been recognised:

Accrual as at 30 June		Restated
Opening balance	50 629	47 142
Operating lease payments received	(380 043)	(513 700)
Operating income recorded	380 748	517 187
Total Operating Lease Assets/(Liabilities)	51 334	50 629

No restrictions have been imposed on the Municipality in terms of the lease agreements.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****8. PROPERTY, PLANT AND EQUIPMENT**

30 June 2011

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Total carried forward
	R	R	R	R	R
Carrying values at 01 July 2010	132 673 439	1 420 537 369	52 030 030	140 264	1 605 381 102
Cost	259 634 064	2 605 994 969	136 386 765	586 266	3 002 602 064
Accumulated depreciation and - Cost	(126 960 625)	(1 185 457 600)	(84 356 735)	(446 002)	(1 397 220 962)
	(126 960 625)	(1 185 457 600)	(84 356 735)	(446 002)	(1 397 220 962)
Acquisitions	2 629 359	26 247 201	4 798	-	28 881 358
Capital under Construction	67 604	51 303 017	190 175	-	51 560 796
Borrowing costs Capitalised	-	-	-	-	-
Depreciation	(5 042 140)	(51 127 832)	(3 020 065)	(16 001)	(59 206 038)
- based on cost	(5 042 140)	(51 127 832)	(3 020 065)	(16 001)	(59 206 038)
Carrying value of disposals	(312 851)	(678 438)	-	-	(991 289)
Cost	(990 484)	(1 355 315)	-	-	(2 345 799)
Accumulated depreciation	677 633	676 877	-	-	1 354 510
Impairment losses	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying values at 30 June 2011	130 015 411	1 446 281 317	49 204 938	124 263	1 625 625 929
Cost	261 340 543	2 682 189 872	136 581 738	586 266	3 080 698 419
Accumulated depreciation and - Cost	(131 325 132)	(1 235 908 555)	(87 376 800)	(462 003)	(1 455 072 490)
	(131 325 132)	(1 235 908 555)	(87 376 800)	(462 003)	(1 455 072 490)

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****8. PROPERTY, PLANT AND EQUIPMENT (continued)**

30 June 2011

Reconciliation of Carrying Value	Total brought forward	Other	Housing Development Fund	Leased Assets	Total
	R	R	R	R	R
Carrying values at 01 July 2010	1 605 381 102	33 702 894	641 958	759 240	1 640 485 194
Cost	3 002 602 064	52 283 415	1 587 265	1 478 440	3 057 951 184
Accumulated depreciation and Impairment	(1 397 220 962)	(18 580 521)	(945 307)	(719 200)	(1 417 465 990)
- Cost	(1 397 220 962)	(18 580 521)	(945 307)	(719 200)	(1 417 465 990)
Acquisitions	28 881 358	8 940 074	-	15 084	37 836 516
Capital under Construction	51 560 796	-	-	-	51 560 796
Borrowing costs Capitalised					
Depreciation	(59 206 038)	(5 576 247)	(64 667)	(299 366)	(65 146 318)
- based on cost	(59 206 038)	(5 576 247)	(64 667)	(299 366)	(65 146 318)
Carrying value of disposals	(991 289)	(584 073)	-	-	(1 575 362)
Cost	(2 345 799)	(1 457 143)	-	-	(3 802 942)
Accumulated depreciation	1 354 510	873 070	-	-	2 227 580
Impairment losses	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying values at 30 June 2011	1 625 625 929	36 482 648	577 291	474 958	1 663 160 826
Cost	3 080 698 419	59 766 346	1 587 265	1 493 524	3 143 545 554
Accumulated depreciation and	(1 455 072 490)	(23 283 698)	(1 009 974)	(1 018 566)	(1 480 384 728)
- Cost	(1 455 072 490)	(23 283 698)	(1 009 974)	(1 018 566)	(1 480 384 728)

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****8. PROPERTY, PLANT AND EQUIPMENT (continued)**

30 June 2010

Restated

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Total carried forward
	R	R	R	R	R
Carrying values at 01 July 2009	135 125 549	1 441 056 883	54 329 428	156 265	1 630 668 125
Cost	257 259 405	2 575 817 728	135 685 187	586 266	2 969 348 586
Correction of error (Note 55)	788	(34 750)	-	-	(33 962)
Accumulated depreciation and Impairment	(122 134 644)	(1 134 726 095)	(81 355 759)	(430 001)	(1 338 646 499)
Cost	(143 638 164)	(1 256 552 956)	(99 399 457)	(452 651)	(1 500 043 228)
Correction of error (Note 55)	21 503 520	121 826 861	18 043 698	22 650	161 396 729
Acquisitions	2 382 657	24 861 676	701 578	-	27 945 911
Capital under Construction	-	5 350 315	-	-	5 350 315
Borrowing costs Capitalised	-	-	-	-	-
Correction of error (Note 55)	-	-	-	-	-
Transfer	-	-	-	-	-
Depreciation	(4 825 981)	(50 731 505)	(3 000 976)	(16 001)	(58 574 463)
- based on cost	(6 271 542)	(54 680 784)	(4 033 338)	(16 546)	(65 002 210)
- Correction of error (Note 55)	1 445 561	3 949 279	1 032 362	545	6 427 747
Carrying value of disposals	(8 786)	-	-	-	(8 786)
Cost	(8 786)	-	-	-	(8 786)
Accumulated depreciation	-	-	-	-	-
Impairment losses	-	-	-	-	-
Carrying values at 30 June 2010	132 673 439	1 420 537 369	52 030 030	140 264	1 605 381 102
Cost	259 634 064	2 605 994 969	136 386 765	586 266	3 002 602 064
Correction of error (Note 55)	-	-	-	-	-
Accumulated depreciation and	(126 960 625)	(1 185 457 600)	(84 356 735)	(446 002)	(1 397 220 962)
- Cost	(126 960 625)	(1 185 457 600)	(84 356 735)	(446 002)	(1 397 220 962)

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****8. PROPERTY, PLANT AND EQUIPMENT (continued)**

30 June 2010

Restated

Reconciliation of Carrying Value	Total brought forward	Other	Housing Development Fund	Leased Assets	Total
	R	R	R	R	R
Carrying values at 01 July 2009	1 630 668 125	30 040 686	706 623	956 737	1 662 372 171
Cost	2 969 348 586	45 867 590	1 587 265	1 390 940	3 018 194 381
Correction of error (Note 55)	(33 962)	128 741	-	-	94 779
Accumulated depreciation and Impairment	(1 338 646 499)	(15 955 645)	(880 642)	(434 203)	(1 355 916 989)
- Cost	(1 500 043 228)	(20 247 205)	(880 642)	(434 203)	(1 521 605 278)
- Correction of error (Note 55)	161 396 729	4 291 560	-	-	165 688 289
Acquisitions	27 945 911	8 184 711	-	87 500	36 218 122
Capital under Construction	5 350 315	-	-	-	5 350 315
Borrowing costs Capitalised	-	-	-	-	-
Correction of error (Note 55)	-	-	-	-	-
Transfer	-	-	-	-	-
Depreciation	(58 574 463)	(4 114 710)	(64 665)	(284 997)	(63 038 835)
- based on cost	(65 002 210)	(5 089 654)	(64 665)	(284 997)	(70 441 526)
- Correction of error (Note 55)	6 427 747	974 944	-	-	7 402 691
Carrying value of disposals	(8 786)	(407 793)	-	-	(416 579)
Cost/revaluation	(8 786)	(1 897 627)	-	-	(1 906 413)
Accumulated depreciation	-	1 489 834	-	-	1 489 834
Impairment losses	-	-	-	-	-
Transferred to disposal group classified as held for sale	-	-	-	-	-
Carrying values at 30 June 2010	1 605 381 102	33 702 894	641 958	759 240	1 640 485 194
Cost	3 002 602 064	52 283 415	1 587 265	1 478 440	3 057 951 184
Correction of error (Note 55)	-	-	-	-	-
Accumulated depreciation and	(1 397 220 962)	(18 580 521)	(945 307)	(719 200)	(1 417 465 990)
- Cost	(1 397 220 962)	(18 580 521)	(945 307)	(719 200)	(1 417 465 990)

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****9. INTANGIBLE ASSETS****30 June 2011**

Reconciliation of Carrying Value	Total	Software Licenses	Website Development
	R	R	R
Carrying values at 1 July 2010	98 295	59 609	38 686
- Cost	146 932	77 228	69 704
Accumulated Amortisation and Impairment	(48 637)	(17 619)	(31 018)
- Cost	(48 637)	(17 619)	(31 018)
Acquisitions			
Purchased	56 177	56 177	-
Borrowing Costs Capitalised	-	-	-
Other movements	-	-	-
Amortisation	(26 015)	(26 015)	-
- based on Cost	(26 015)	(26 015)	-
Carrying values at 30 June 2011	128 457	89 771	38 686
- Cost	203 109	133 405	69 704
<i>Accumulated amortisation</i>	(74 652)	(43 634)	(31 018)
- Cost	(74 652)	(43 634)	(31 018)

30 June 2010

Reconciliation of Carrying Value	Total	Software Licenses	Website Development
	R	R	R
Carrying values at 01 July 2009	114 155	68 500	45 655
Cost	143 497	73 793	69 704
Accumulated Amortisation and Impairment	(29 342)	(5 293)	(24 049)
- Cost	(44 044)	(6 354)	(37 690)
Correction of error (Note 51)	14 702	1 061	13 641
Acquisitions			
Purchased	3 435	3 435	-
Other Movements	-	-	-
Amortisation	(25 170)	(14 790)	(10 380)
- based on Cost	(25 170)	(14 790)	(10 380)
Correction of error (Note 55)	-	-	-
Carrying values at 30 June 2010	98 295	59 609	38 686
- Cost	146 932	77 228	69 704
Correction of error (Note 55)	-	-	-
<i>Accumulated amortisation</i>	(48 637)	(17 619)	(31 018)
- Cost	(54 512)	(20 083)	(34 429)
Correction of error (Note 55)	5 875	2 464	3 411

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****9. INTANGIBLE ASSETS (continued)**

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 33).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to the intangible assets.

2011
R **2010**
R

10. INVESTMENT PROPERTY**At cost less accumulated depreciation**

34 013 854 33 943 473

The movement in investment properties is reconciled as follows:

Carrying value at the beginning of the year

	33 943 473	33 369 179
Cost	35 012 452	34 390 027
Accumulated depreciation	(1 068 979)	(1 097 945)
Accumulated Impairment Losses	-	-
<i>Correction of error (Note 55)</i>		
Cost	-	-
Accumulated depreciation	-	77 097

Additions to existing investment properties
Transfer to Inventory (Grap 16.65 and 16.70)
Depreciation
Impairment losses
Other Movements

1 817 900 885 364
(1 699 388) (275 385)
(48 131) (50 850)
- -
- -

Carrying value at the end of the year

	34 013 854	33 943 473
Cost	35 130 964	35 000 006
Accumulated depreciation	(1 117 110)	(1 071 698)
Accumulated Impairment Losses	-	-
<i>Correction of error (Note 55)</i>		
Cost	-	12 446
Accumulated depreciation	-	2 719

The following is included in the net surplus/(deficit)

Rental revenue earned from Investment Properties	388 473	359 391
Direct Operating expenses - incurred to generate rental revenue	586 701	97 280
Direct Operating expenses - incurred which did not generate rental revenue	989 247	992 510

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property.

Fair Value of investment properties.

The fair value of investment properties is estimated at R 82,88,440 which is based on a valuation by an independent valuer who holds a recognised and relevant qualification. The determination of fair value is supported by market evidence.

11. FINANCE LEASE RECEIVABLES

Housing selling scheme loans	238 814	288 550
	238 814	288 550
Less : Current portion transferred to current receivables	12 350	32 102
Housing selling scheme loans	12 350	32 102
Total	226 464	256 448

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****11. FINANCE LEASE RECEIVABLES (continued)****HOUSING SELLING SCHEME LOANS**

Loans were granted to the tenants of low cost housing erected by the Municipality with funds provided by the State, in order to enable them to purchase the houses they previously rent from the Municipality. Loans are repaid over a period of twenty years and at an interest rate of thirteen point five percent per annum. The instalments of interest and redemption recoverable from the purchasers are credited to the Housing Fund. (See note 22)

11.1 Leasing Arrangements

The municipality entered into finance Leasing Arrangements for house selling scheme loans. The average term of Finance Leases entered into is between six and twenty years.

11.2 Amounts receivable under finance leases

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2011 R	2010 R	2011 R	2010 R
Within one year	44 425	70 176	12 350	32 102
In the second to fifth year inclusive	166 086	228 646	53 819	80 219
Over five years	274 423	279 916	172 645	176 229
	484 934	578 738	238 814	288 550
Less: Unearned Finance Income	(246 120)	(290 187)		
Total Finance Lease Receivables	238 814	288 551	238 814	288 550
Included in the Annual Financial Statements as:				
Current Finance lease receivables			12 350	32 102
Non-Current Finance lease receivables			226 464	256 448
			238 814	288 550

The interest rate inherent to the leases are fixed at the contract date over the entire lease term. The average effective interest rate contracted is 13.50 % (2010: 13.50 %) per annum.

Management of the municipality is of the opinion that the carrying value of financial lease receivables recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Finance Lease Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipalities debtors.

12. LONG-TERM RECEIVABLES

	2011 R	2010 R
Neither past due nor impaired		
Loans to Public Organisations	266 285	276 327
	266 285	276 327
Less : Current portion transferred to current receivables	11 166	10 042
Loans to Public Organisations	11 166	10 042
Total	255 119	266 285

LOANS TO PUBLIC ORGANISATIONS

Under the previous dispensation loans raised at an interest rate of one percent per annum repayable over a period of forty years were granted by the State to the Municipality who in turn, made the said loans available to Public Organisations for the purpose of providing housing to indigent old age persons. The Municipality merely acted as an intermediary between the State and such Organisations. The outstanding balances of these loans were subsequently written off by the State whilst the annual instalment, still recoverable from the various Organisations, are credited to the Housing Fund. Loans are repaid over periods of thirty to forty years and at interest rates varying from one to eleven point two five percent per annum. (See note 22)

Management of the municipality is of the opinion that the carrying value of Long- Term Receivables recorded at amortised cost in the financial statements approximate their fair values.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
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12. LONG-TERM RECEIVABLES (continued)

The fair value of Long- Term Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Long- term receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

13. CONSUMER DEPOSITS

Electricity and Water	5 791 841	5 414 982
Interest paid	-	-
Total Consumer Deposits	5 791 841	5 414 982

Guarantees amounting to R 748,753 (2010: R 717,653) are held in lieu of Electricity and Water Deposits

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the Council can utilize the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

Management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits were determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

14. PROVISIONS

Current portion of Post-Employment Health Care Benefits(see note 20)	1 236 643	1 195 245
Current portion of Long-Service Awards (see note 21)	340 205	391 584
Task: Back pay	-	190 256
Electricity: Main Sub (ABB)	360 000	-
Total Provisions	1 936 848	1 777 085

The movement in current provisions are reconciled as follows:

	Electricity Main Sub (ABB)	Task Back Pay	Post- Employment Health Care Benefits	Current portion of Long- service
30 June 2011				
Balance at beginning of year	-	190 256	1 195 245	391 584
Transfer from non-current	-	-	-	-
Contributions to provision	360 000	-	1 236 643	268 363
Expenditure incurred	-	(190 256)	(1 195 245)	(319 742)
Reversal of provision	-	-	-	-
Balance at end of year	360 000	-	1 236 643	340 205
30 June 2010				
Balance at beginning of year	-	-	1 053 553	346 817
Transfer from non-current	-	-	1 195 245	391 584
Contributions to provision	-	295 687	70 706	21 216
Expenditure incurred	-	-	(1 124 259)	(368 033)
Reversal of provision	-	-	-	-
Correction of error (Note 55)	-	(105 431)	-	-
Balance at end of year	190 256	1 195 245	391 584	391 584

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
15. CREDITORS		
Trade creditors	22 578 836	29 403 371
Payments received in advance	816 451	634 907
Retentions	1 980 927	1 259 295
Staff leave	5 022 022	4 552 857
Other creditors	5 000 872	3 679 049
Total Creditors	35 399 108	39 529 479

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

Retentions refer to construction contracts.

16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**16.1 Conditional Grants by other spheres of Government**

	3 034 739	1 769 475
Cleanest Town	79 420	127 544
Community Development: Workers	-	7 086
Electricity	-	-
Financial Management Grant	355 330	25 496
Housing: Chatsworth	1 362 274	-
Housing Consumer Education Grant	47 234	83 687
Ilinge Lethu Advisory Centre	137 130	10 203
Ilinge Lethu Multipurpose Centre	-	12 517
Library	-	-
Masterplanning	-	150 000
Municipal Infrastructure Grant	-	914 797
Municipal Systems Improvement Grant	453 351	438 145
Pedestrian Pathways	600 000	-
Chatsworth Stormwater/Water Pipeline	-	-

16.2 Other Conditional Receipts

	147 265	1 788 757
National Lottery	-	1 500 000
PPC: Rural Roadnetwork Study	-	-
Roelcor: Sample Taking Apparatus	-	-
Spatial Development Plan	147 265	288 757

Total Conditional Grants and Receipts

3 182 004	3 558 232
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See Note 29 for reconciliation of grants by other spheres of government.

17. VAT

VAT payable	1 866 701	2 202 468
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VAT is accounted for on the receipts basis. Only when payment has been received from debtors VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

18. FINANCE LEASE PAYABLES**The Municipality as lessee*****Leasing arrangements:***

Capitalised Lease Liabilities relate to office equipment with lease terms of five years (2010: five years). The effective interest rate on finance leases is between 13.97 % and 24.86 % (2010: 13.97 % and 21.53 %). Capitalised lease liabilities are secured over the items of office equipment leased.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****18. FINANCE LEASE PAYABLES (continued)****The Municipality as lessee (continued)**

The obligations under finance leases are scheduled below:

	Minimum Lease Payments		Present Value of Minimum Lease	
	2011 R	2010 R	2011 R	2010 R
Amounts payable under finance leases				
Within one year	428 321	486 486	350 719	355 585
1 to 5 years	341 878	748 359	301 048	635 916
More than 5 years	-	-	-	-
	770 199	1 234 845	651 767	991 501
Less: Future finance charges	(118 432)	(243 344)		
Present Value of Lease obligations (see note 19)	651 767	991 501	651 767	991 501
Less amounts due for settlement within 12 months (current portion)			(350 719)	(355 584)
Amounts due for settlement after 12 months (non-current)			301 048	635 917

The management of the municipality is of the opinion that the carrying value of Finance Leases approximate their fair values.

The municipality has finance lease agreements for office equipment.

Included are the following significant leases:

(i) Siemens High Path Pabx

- Instalments are payable monthly in advance
- Average period outstanding 30 months
- Average effective interest rate 14.74 %
- Average monthly instalment 8 936

(ii) Bizhub 750/FS-505 Copier

- Instalments are payable monthly in advance
- Average period outstanding 43 months
- Average effective interest rate 13.97 %
- Average monthly instalment 5 699

(iii) Bizhub 160F Copier

- Instalments are payable monthly in advance
- Average period outstanding 49 months
- Average effective interest rate 15.40 %
- Average monthly instalment 6 379

	2011 R	2010 R
19. LONG- TERM LIABILITIES		
Annuity Loans	53 098 210	66 501 821
Capitalised Lease Liability (see to note 18).	651 767	991 501
Sub-total	53 749 977	67 493 322
Less : Current portion transferred to current liabilities	4 583 377	4 694 718
Annuity Loans	4 232 658	4 339 134
Capitalised Lease Liability	350 719	355 584
Total: Long-term Liabilities (Neither past due nor impaired)	49 166 600	62 798 604

Summary of arrangements

Annuity Loans are repaid over periods varying from ten to twenty years (2010: ten to twenty years), and at interest rates varying from 9.575 % to 15.50 % (2010: 9.575 % to 15.50 %). Annuity Loans are not secured.

For detail of leasing arrangements regarding capitalised finance lease liabilities refer to note 18.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R

19. LONG- TERM LIABILITIES (continued)*Summary of arrangements (continued)*

Management of the municipality is of the opinion that the carrying value of Long- Term Liabilities recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Long- Term Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to APPENDIX A for more detail on long- term liabilities.

20. POST RETIREMENT MEDICAL AID BENEFIT LIABILITY

Post-Employment Health Care Benefit Liability	25 894 658	23 581 042
Total: Post Retirement Medical Aid Benefit Liability	25 894 658	23 581 042
Less: Transfer to Current Provisions	(1 236 643)	(1 195 245)
Net Post-Employment Health Care Benefit Liability	24 658 015	22 385 797

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of the present value of the unfunded defined benefit obligation were carried out as at 30 June 2011 by Poneso Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

- In-service members	246	235
- Continuation members	50	55
Total	296	290

The liability in respect of past service has been estimated to be as follows:

- In-service members	11 421 202	10 640 719
- Continuation members	14 473 456	12 940 323
	25 894 658	23 581 042

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Pro Sano
- Samwumed

The future service cost for the ensuing year is established to be R 1,184,279, whereas the interest-cost for the next year is estimated to be R 2,203,635 (2010: R 1,117,938 and R 2,131,726 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	8.51 %	9.04 %
Health Care Cost Inflation Rate	6.62 %	7.15 %
Net Effective Discount Rate	1.77 %	1.76 %
Expected Rate of Salary Increase	6.64 %	6.40 %
General Inflation Rate (CPI)	5.54 %	5.40 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	64	64

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R			
20. POST RETIREMENT MEDICAL AID BENEFIT LIABILITY (continued)					
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	25 894 658	23 581 042			
Fair value of plan assets	-	-			
	25 894 658	23 581 042			
Unrecognised past service cost	-	-			
Unrecognised actuarial gains	-	-			
Present value of unfunded obligations	25 894 658	23 581 042			
Benefit Liability	25 894 658	23 581 042			
The amount recognised in the Statement of Financial Performance are as follows:					
Current service cost	1 510 443	1 016 750			
Interest cost	2 079 301	1 983 245			
Actuarial (gains)/losses	(116 268)	(476 711)			
Total included in Employee Related Costs (see to note 31).	3 473 476	2 523 284			
The movement in the defined benefit obligation over the year is as follows:					
Balance at beginning of year	23 581 043	22 182 018			
Current service cost	1 510 443	1 016 750			
Interest cost	2 079 300	1 983 245			
Benefits paid	(1 159 860)	(1 124 259)			
Actuarial (gain)/loss on the obligation	(116 268)	(476 711)			
Balance at end of year	25 894 658	23 581 043			
The effect of a 1 % movement in the assumed rate of health care cost inflation is as follows:					
Increase					
Effect on the aggregate of the current service cost and the interest cost	862 148	602 310			
Effect on the defined benefit obligation	4 130 685	3 589 635			
Decrease					
Effect on the aggregate of the current service cost and the interest cost	(443 870)	(481 075)			
Effect on the defined benefit obligation	(3 280 738)	(2 943 412)			
The history of experienced adjustments is as follows:					
	2011	2010	2009	2008	2007
Defined benefit obligation	25 894 658	23 581 042	22 182 018	20 900 921	20 381 446
Experience adjustments on plan liabilities	(96 453)	2 910 018	(271 882)	(2 232 699)	(1 450 367)

The municipality expects to make a contribution of R 3,387,914 (2010: R 2,999,994) to the defined benefit plans during the next financial year.

Refer to Note 47 "Multi- Employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
21. OTHER NON- CURRENT PROVISIONS		
<i>Long Service Awards</i>		
Provision for Long Service Awards	4 631 672	3 976 914
Total Provision for Long Service Awards	4 631 672	3 976 914
Less: Transfer to Current Provisions	(340 205)	(391 584)
Net Long Service Awards liability	4 291 467	3 585 330

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000 to become Swartland Municipality). The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2011 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of the present value of the unfunded defined benefit obligation were carried out as at 30 June 2011 by Poneso Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

The future service cost for the ensuing year is established to be R 402,101, whereas the interest-cost for the next year is estimated to be R 379,680 (2010: R 367,534 and R 359,513 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	8.51 %	9.04 %
Expected Rate of Salary Increase	6.64 %	6.40 %
Net Effective Discount Rate	1.75 %	2.48 %
General Inflation Rate (CPI)	5.54 %	5.40 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	64	64

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	4 631 672	3 976 914
	4 631 672	3 976 914
Present value of unfunded obligations	4 631 672	3 976 914
Net liability	4 631 672	3 976 914

The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	367 534	478 478
Interest cost	359 513	302 155
Past service cost (Profit)	-	239 362
Actuarial (gain)/loss on the obligation	247 453	(124 691)
Total included in Employee Related Costs (see to note 31).	974 500	895 304

The movement in the defined benefit obligation over the year is as follows:

Balance at beginning of year	3 976 914	3 449 643
Current service cost	367 534	478 478
Interest cost	359 513	302 155
Past service cost (Profit)	-	239 362
Benefits paid	(319 742)	(368 033)
Actuarial (gain)/loss on the obligation	247 453	(124 691)
Balance at end of year	4 631 672	3 976 914

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****21. OTHER NON- CURRENT PROVISIONS (continued)***Long Service Awards (continued)*

The history of experienced adjustments is as follows:

	2011	2010	2009	2008	2007
Defined benefit obligation	4 631 672	3 976 914	3 499 643	2 699 790	2 782 650
Experience adjustments on plan liabilities	397 711	(87 846)	630 992	(396 187)	(375 596)
				2011	2010
				R	R

22. HOUSING DEVELOPMENT FUND

Balance at the beginning of the year	1 485 459	2 828 029
Income	252 187	266 238
Maintenance	38 021	36 087
House selling scheme loans	174 317	99 539
Housing debtors	39 849	130 612
Less: Expenses	1 111 882	1 608 808
Funding operating projects	1 111 882	1 608 808
	625 764	1 485 459

Analysis of the composition of the Housing Development Fund:

Housing Development Fund	625 764	1 485 459
Unappropriated Surplus	120 665	920 582
Loans extinguished by Government on 1 April 1998	505 099	564 877
The Housing Development Fund is represented by the following assets and liabilities:		
Housing selling scheme loans (see note 11).	238 814	288 550
Housing Rental Debtors (see note 3).	121 149	121 149
Bank and cash	265 801	1 075 760
Total Housing Development Fund Assets and Liabilities	625 764	1 485 459

The Housing Development Fund contain all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the Housing Development Fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

23. ACCUMULATED SURPLUS**Restated**

The following internal funds and reserves are ring-fenced within the Accumulated Surplus.

Capital replacement reserve	124 207 183	111 911 533
Capitalisation reserve	1 299 760 649	1 347 057 100
Donations and public contribution reserve	7 826 490	3 085 694
Government Grants Reserve	145 935 421	117 474 047
Accumulated surplus/(deficit) due to the results of operations	200 809 066	183 842 201
Total Accumulated Surplus	1 778 538 809	1 763 370 575

The Capital Replacement Reserve is a reserve to finance future capital expenditure.

The Capitalisation Reserve equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The Donation and Public Contribution Reserve equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donation and Public Contribution Reserve ensures consumer equity and is not backed by cash.

The Government Grant Reserve equals the carrying value of the items of property, plant and equipment financed by government. The Government Grant Reserve ensures consumer equity and is not backed by cash.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
24. VAT		
VAT receivable	-	-

VAT is accounted for on the receipts basis. Only when payment has been received from debtors VAT is paid over to SARS.

25. PROPERTY RATES		Restated
<u>Income</u>		
<u>Actual</u>		
Residential, Commercial, Industrial, Rural and Other State	55 824 063	50 898 007
	1 914 113	1 753 346
	57 738 176	52 651 353
Less: Revenue Forgone	1 069 581	-
Total Assessment Rates	56 668 595	52 651 353
<u>Valuations</u>		
<u>Actual</u>		
Residential, Commercial, Industrial, Rural and Other State	13 690 937 558	13 499 683 534
	346 353 500	338 753 600
	14 037 291 058	13 838 437 134

Assessment Rates are levied on the value of land and improvements, less R 15,000 for residential properties, which valuation must be performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions. The last valuation came into effect on 1 July 2008.

Uniform rates of 0,56 c/R (2009/2010: 0,52 c/R) cent in the Rand on land and building valuations were applied to determine assessment rates. A rebate of 40,00 % (2009/2010: 40,00%) was allowed on residential properties for pensioners based on the annual income of the ratepayer whilst a discount of 75 % (2009/2010: 75 %) was granted on properties owned by residence of Jakkalsfontein and Grotto Bay as well as on agricultural land.

Rates are levied annually on property owners. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable the last of day of the month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

	2011 R	Restated 2010 R
26. SERVICE CHARGES INCOME		
Sale of electricity	130 156 536	104 158 864
Sale of water	27 866 572	23 768 373
Refuse removal	16 258 721	14 219 723
Sewerage and sanitation charges	21 900 176	18 578 470
	196 182 005	160 725 430
Less: Revenue Forgone	16 577 304	-
Total Service Charges	179 604 701	160 725 430

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

27. INTEREST EARNED		Restated
External Investments / Cash Deposits:		
Bank Account	200 026	623 921
Interest earned- other	9 284 793	12 752 971
	9 484 819	13 376 892
Outstanding Debtors:		
Rates	377 984	422 801
Long-term Receivables	6 478	8 512
Consumer Debtors	700 686	715 735
Other Debtors	101 725	111 170
	1 186 874	1 258 218
Total Interest Earned	10 671 693	14 635 110

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
27. INTEREST EARNED (continued)		
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		Restated
Available-for-Sale Financial Assets	-	-
Loans and Receivables	10 671 693	14 635 110
	10 671 693	14 635 110
Interest Earned on Non-financial Assets	-	-
28. RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Buildings	426 814	334 817
Rental Revenue from Halls	225 914	231 431
Rental Revenue from Other facilities	1 755 282	1 615 647
Total Rental of Facilities and Equipment	2 408 010	2 181 895
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
29. GOVERNMENT GRANTS AND SUBSIDIES		
Cleanest Town	88 124	1 070 497
Chatsworth Streets and Stormwater	10 186 940	5 000 000
Chatsworth/Malmesbury Pipeline	-	1 813 060
Community Development: Workers	57 086	75 679
Database Performance Management	-	56 000
Disaster Fund	-	1 747 936
Electricity: Internal Installations Darling	1 746 000	1 254 000
Financial Management Grant	670 166	692 945
Housing: Chatsworth	26 406 496	-
Housing Consumer Education Grant	36 453	30 108
Housing: Darling	-	35 369 519
Ilinge Lethu Advisory Centre	33 073	269 053
Ilinge Lethu Centre	12 517	36 636
Libraries	585 000	903 173
Masterplanning	150 000	-
Municipal Infrastructure Grant	9 869 797	85 203
Municipal Systems Improvement Grant	734 794	638 712
Performance Management	-	250 000
Sondeza	-	100 000
Sport Development	-	500 000
Vuna Award	-	2 055 136
Proclaimed Roads Subsidies	200 000	90 000
Total Government Grant and Subsidies	50 776 446	52 037 657
29. 1 Cleanest Town		
Balance unspent at beginning of year	127 544	127 544
Current year receipts	40 000	-
Conditions met - transferred to revenue	(88 124)	(1 070 497)
Conditions met - transferred to debtors	-	1 070 497
Conditions still to be met transferred to liabilities (see note 16)	79 420	127 544
Prize money for winning the national cleanest town competition.		
29. 2 Chatsworth Streets and Stormwater		
Balance unspent at beginning of year	-	-
Current year receipts	15 186 940	-
Conditions met - transferred to revenue	(10 186 940)	(5 000 000)
Conditions met - transferred to debtors	-	5 000 000
Transferred to debtors	(5 000 000)	-
Conditions still to be met transferred to liabilities (see note 16)	-	-
Funds made available by PAWC for the construction of streets and stormwater in Chatsworth.		

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
29. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
29.3 Chatsworth/Malmesbury Pipeline		
Balance unspent at beginning of year	-	-
Current year receipts	1 813 060	-
Conditions met - transferred to revenue	-	(1 813 060)
Conditions met - transferred to debtors	-	1 813 060
Transferred to debtors	(1 813 060)	-
Conditions still to be met transferred to liabilities (see note 16)	-	-
Funds made available by PAWC for the construction of a water pipeline between Chatsworth and Malmesbury.		
29.4 Community Development: Workers		
Balance unspent at beginning of year	7 086	34 765
Current year receipts	50 000	48 000
Conditions met - transferred to revenue	(57 086)	(75 679)
Conditions still to be met transferred to liabilities (see note 16)	-	7 086
Funds made available for sundry expenditure and stationery for workers, under the control of the Municipality but remunerated by PAWC.		
29.5 Database Performance Management		
Balance unspent at beginning of year	-	56 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(56 000)
Conditions still to be met transferred to liabilities (see note 16)	-	-
Funds provided for the development of a performance management database.		
29.6 Disaster Fund		
Balance unspent at beginning of year	-	1 723 936
Current year receipts	-	24 000
Conditions met - transferred to revenue	-	(1 747 936)
Conditions still to be met transferred to liabilities (see note 16)	-	-
Funds provided and partly expended on flood damage in Moorreesburg and Chatsworth.		
29.7 Electricity: Infrastructure Darling		
Balance unspent at beginning of year	-	-
Current year receipts	3 000 000	-
Conditions met - transferred to revenue	(1 746 000)	(1 254 000)
Conditions met - transferred to debtors	-	1 254 000
Transferred to debtors	(1 254 000)	-
Conditions still to be met transferred to liabilities (see note 16)	-	-
Funds made available by Department of Energy for electrical infrastructure.		
29.8 Financial Management Grant		
Balance unspent at beginning of year	25 496	-
Current year receipts	1 000 000	750 000
Conditions met - transferred to revenue	(670 166)	(692 945)
Conditions met - transferred to debtors	-	-
Transferred to debtors	-	(31 559)
Conditions still to be met transferred to liabilities (see note 16)	355 330	25 496

The purpose of the grant is to enable the Municipality to modernise and improve its financial management activities entailing, among others, capacity building, the implementation of municipal finance management legislation and regulating policies and compliance with generally accepted municipal accounting practices.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
29. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
29. 9 Housing Consumer Education Grant		
Balance unspent at beginning of year	83 687	63 795
Current year receipts	-	50 000
Conditions met - transferred to revenue	(36 453)	(30 108)
Conditions still to be met transferred to liabilities (see note 16)	47 234	83 687
Funds allocated for educating first time homeowners.		
29. 10 Housing: Chatsworth		
Balance unspent at beginning of year	-	-
Current year receipts	27 768 770	-
Conditions met - transferred to revenue	(26 406 496)	-
Conditions still to be met transferred to liabilities (see note 16)	1 362 274	-
Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.		
29. 11 Housing: Darling		
Balance unspent at beginning of year	-	6 628 169
Current year receipts	-	28 741 350
Conditions met - transferred to revenue	-	(35 369 519)
Conditions still to be met transferred to liabilities (see note 16)	-	-
Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.		
29. 12 Ilinge Lethu Advisory Centre		
Balance unspent at beginning of year	10 203	139 256
Current year receipts	160 000	140 000
Conditions met - transferred to revenue	(33 073)	(269 053)
Conditions still to be met transferred to liabilities (see note 16)	137 130	10 203
Funds provided to the Municipality to finance the cost of the transformation of the existing inadequate facility serving the township into a suitable community centre.		
29. 13 Ilinge Lethu Multipurpose Centre		
Balance unspent at beginning of year	12 517	49 153
Current year receipts	-	-
Conditions met - transferred to revenue	(12 517)	(36 636)
Conditions still to be met transferred to liabilities (see note 16)	-	12 517
Funds provided to the Municipality to finance the cost of the transformation of the existing inadequate facility serving the township into a suitable community centre.		
29. 14 Libraries		
Balance unspent at beginning of year	-	-
Current year receipts	585 000	904 000
Conditions met - transferred to revenue	(585 000)	(903 173)
Conditions met - transferred to debtors	-	-
Transferred to debtors	-	(827)
Conditions still to be met transferred to liabilities (see note 16)	-	-
Funds provided for salaries of additional contract workers appointed at the libraries in the area under the jurisdiction of the Swartland Municipality as well as the maintenance of the library buildings.		

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
29. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
29. 15 Masterplanning		
Balance unspent at beginning of year	150 000	-
Current year receipts	-	150 000
Conditions met - transferred to revenue	(150 000)	-
Conditions still to be met transferred to liabilities (see note 16)	-	150 000
Funds provided for the compiling of masterplans.		
29. 16 Municipal Infrastructure Grant		
Balance unspent at beginning of year	914 797	-
Current year receipts	8 955 000	9 675 000
Conditions met - transferred to revenue	(9 869 797)	(85 203)
Conditions met - transferred to debtors		(8 675 000)
Conditions still to be met transferred to liabilities (see note 16)	-	914 797
Funds made available to the Municipality for the upgrading of existing infrastructure in its area of jurisdiction and/or the erection/construction of new amenities required for service delivery.		
29. 17 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	438 145	341 857
Current year receipts	750 000	735 000
Conditions met - transferred to revenue	(734 794)	(638 712)
Conditions still to be met transferred to liabilities (see note 16)	453 351	438 145
The purpose of the grant is to enable the Municipality to modernise and improve its financial management activities entailing, among others, the implementation of GRAP compliant Financial Statements and Asset Register, municipal finance management legislation and regulating policies.		
29. 18 Pedestrian Pathways		
Balance unspent at beginning of year	-	-
Current year receipts	600 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met transferred to liabilities (see note 16)	600 000	-
Funds provided to the Municipality to finance the cost of sidewalks.		
29. 19 Performance Management		
Balance unspent at beginning of year	-	-
Current year receipts	-	250 000
Conditions met - transferred to revenue	-	(250 000)
Conditions still to be met transferred to liabilities (see note 16)	-	-
Funds provided to the Municipality to finance the cost of Performance Management.		
29. 20 Sondeza		
Balance unspent at beginning of year	-	-
Current year receipts	-	100 000
Conditions met - transferred to revenue	-	(100 000)
Conditions still to be met transferred to liabilities (see note 16)	-	-
Funds allocated for the establishment and upgrading of sport facilities.		
29. 21 Sport Development		
Balance unspent at beginning of year	-	-
Current year receipts	-	500 000
Conditions met - transferred to revenue	-	(500 000)
Conditions still to be met transferred to liabilities (see note 16)	-	-
Funds allocated and expended in connection with the Zondesa Camp.		

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
29. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
<i>29. 22 Vuna Award</i>		
Balance unspent at beginning of year	-	2 055 136
Current year receipts	-	-
Conditions met - transferred to revenue	-	(2 055 136)
Conditions still to be met transferred to liabilities (see note 16)	-	-
Prize money for winning the Vuna Award.		
<i>29. 23 Proclaimed Roads Subsidies</i>		
Balance unspent at beginning of year	-	-
Current year receipts	200 000	90 000
Conditions met - transferred to revenue	(200 000)	(90 000)
Conditions still to be met transferred to liabilities (see note 16)	-	-
Expenditure incurred by the Municipality in connection with the maintenance of proclaimed main roads falling under the jurisdiction of the Municipality, in accordance with a budget approved by the PAWC, which costs is partly recoverable from the Administration.		
<i>29. 24 Changes in levels of government grants</i>		
Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
30. OTHER REVENUE		Restated
Included in other income is the following:-		
Administration Costs	62 256	-
Admission Fees: Malmesbury	124 458	107 559
Application: Service Connections	204 036	225 376
Blockages: Sewerage	316 334	159 160
Bulk Waste Dumping	400 388	-
Cancellation Fee: Sale of Erven	-	53 221
Capital Contribution (Developers): Fixed	540 026	626 947
Cemetery Fees: Darling	72 986	72 150
Cemetery Fees: Malmesbury	145 799	171 607
Cemetery Fees: Moorreesburg	113 545	96 859
Clearance Certificates	65 899	55 811
Contribution Parking Areas	121 260	-
Credit Card Cost: Recoverable	81 854	74 462
Creditors Cheques not deposited	-	-
Deviation of Building Regulation	85 939	76 507
Discount: Fuel	61 517	-
Efficiency Development	265 101	329 096
Entrance Fees Boats	143 316	236 680
Escorts: Heavy vehicles	57 058	-
Film Shooting	118 421	-
Industrial Sewerage	4 827 854	3 076 405
New Connections	1 384 590	788 061
Photostats	123 741	115 005
Plan fees: Buildings	1 280 700	872 279
Plan Fees: Unauthorized Building	248 138	108 586
Rates: Lessees	106 536	101 648
Refuse Coupons: Malmesbury	121 097	117 674
Refuse Coupons: Moorreesburg	55 790	71 488
Rezoning	-	65 932
Selling: Purified Sewerage Water	568 175	425 901
Street Entrances and Pavements	50 717	-
Subdivisions	-	55 490
Sundries	-	98 452
Tampering Fees	-	51 342
Housing Scheme/Private Organisations Loan Instalments	214 165	230 151
Other (less than 50 000)	787 587	773 415
Total Other Income	12 749 283	9 237 264

The amounts disclosed above for Other Income are in respect of services rendered, other than described in Notes 3 and 4, which are billed to or paid for by the users according to approved tariffs.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
31. EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	60 417 314	53 456 867
Employee related costs - Contributions for UIF, pensions and medical aids	16 109 548	14 127 131
Travel, motor car, accommodation, subsistence and other allowances	9 191 764	7 071 540
Housing benefits and allowances	438 860	447 404
Overtime payments	3 521 944	2 944 404
Bonuses: 13th Cheque	4 514 355	3 636 674
Contribution to Leave Gratuity	864 756	1 250 426
Contribution to provision for post- retirement medical aid benefits:	3 473 476	2 523 284
<i>Current service cost</i>	1 510 443	1 016 750
<i>Interest cost</i>	2 079 301	1 983 245
<i>Actuarial (gains)/losses</i>	(116 268)	(476 711)
Contribution to long-service provision	974 500	895 304
Contribution to TASK back pay provision	-	1 261 577
Total Employee Related Costs	99 506 517	87 614 611

No advances were made to employees.

Remuneration of the Municipal Manager

Annual Remuneration	897 260	773 900
Car Allowance	109 480	113 238
Long-service award	-	-
Other	6 173	6 123
Contributions to UIF, Medical and Pension Funds, etc.	230 829	208 594
Total	1 243 742	1 101 855

Remuneration of the Chief Finance Officer

Annual Remuneration	440 774	433 140
Car Allowance	211 598	179 543
13 th Cheque	76 616	36 095
Long-service award	-	-
Leave Pay	28 002	25 399
Other	2 512	2 528
Contributions to UIF, Medical and Pension Funds, etc.	129 754	127 510
Total	889 256	804 215

Remuneration of Individual Executive Directors**30 June 2011**

	Corporate Services	Civil Engineering Services	Electrical Engineering Services	Development Services	Protection Services
Annual Remuneration	528 825	541 370	456 645	484 065	443 100
Car Allowance	60 177	84 945	156 008	129 446	172 335
Long-service award	-	-	-	-	-
13 th Cheque	-	-	38 054	40 339	36 925
Leave Pay	-	-	-	-	25 819
Acting Allowance	-	-	-	-	-
Other	50	510	5 759	3 584	7 587
Contributions to UIF, Medical and Pension Funds, etc.	135 682	136 283	143 378	148 602	131 426
Total	724 734	763 108	799 844	806 036	817 192

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****31. EMPLOYEE RELATED COSTS (continued)***Remuneration of Individual Executive Directors (continued)***30 June 2010**

	Corporate Services	Civil Engineering Services	Electrical Engineering Services	Development Services	Protection Services
Annual Remuneration	421 938	489 800	408 425	430 400	394 905
Car Allowance	60 038	84 904	159 290	128 563	175 200
Long-service award	-	-	-	-	23 728
13 th Cheque	2 278	-	34 035	35 867	32 909
Leave Pay	-	-	44 045	-	23 728
Acting Allowance	4 940	-	-	-	-
Other	783	-	2 089	1 303	6 424
Contributions to UIF, Medical and Pension Funds, etc.	110 603	123 893	128 052	130 872	112 899
Total	600 580	698 597	775 936	727 005	769 793

**2011
R** **2010
R**

The following accrued to key management personnel in terms of IAS 19 as at 30 June:

Post Retirement Medical Aid Benefit Liability:

Municipal Manager	91 974	59 728
Chief Financial Officer	109 113	80 307
Executive Director: Corporate Services	56 651	74 059
Executive Director: Civil Engineering Services	155 425	142 778
Executive Director: Electrical Engineering Services	157 331	101 344
Executive Director: Development Services	143 084	137 871
Executive Director: Protection Services	103 137	83 039
Total	816 715	679 126

Long Service Awards Liability

Municipal Manager	76 765	67 507
Chief Financial Officer	39 748	52 142
Executive Director: Corporate Services	84 095	74 098
Executive Director: Civil Engineering Services	20 747	19 645
Executive Director: Electrical Engineering Services	32 502	39 708
Executive Director: Development Services	18 064	36 398
Executive Director: Protection Services	30 073	38 154
Total	301 994	327 652

Staff leave

Municipal Manager	192 254	165 707
Chief Financial Officer	55 243	64 971
Executive Director: Corporate Services	69 658	79 224
Executive Director: Civil Engineering Services	163 559	118 590
Executive Director: Electrical Engineering Services	145 268	115 225
Executive Director: Development Services	148 124	109 322
Executive Director: Protection Services	54 058	62 395
Total	828 164	715 434

32. REMUNERATION OF COUNCILLORS

Executive Mayor	362 167	346 937
Deputy Executive Mayor	286 977	253 775
Speaker	286 977	274 542
Mayoral Committee Members	565 768	451 653
Councillors	1 475 597	1 396 291
Councillor's - pension contribution	446 851	410 256
Councillor's - medical aid contribution	345 693	339 543
Councillor's - insurance unemployment	-	-
Councillor's - travelling allowances	1 256 382	1 156 977
Councillor's - telephone allowances	258 166	239 358
Total Councillors - Remuneration	5 284 578	4 869 332

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
32. REMUNERATION OF COUNCILLORS (continued)		
In-kind Benefits		
The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayoral Committee Members of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.		
33. DEPRECIATION AND AMORTISATION		Restated
Depreciation: Property, Plant and Equipment (Refer note 8.)	65 146 318	63 038 835
Amortisation: Intangible Assets (Refer note 9.)	26 015	19 295
Depreciation: Investment Property (Refer note 10)	48 131	48 131
Total Depreciation and Amortisation	65 220 464	63 106 261
34. INTEREST PAID		
Long-term liabilities	6 156 224	7 132 329
Finance Leases	113 451	148 496
Total Interest on External Borrowings	6 269 675	7 280 825
35. BULK PURCHASES		
Electricity	83 003 187	63 251 011
Water	17 395 563	14 648 798
Total Bulk Purchases	100 398 750	77 899 809

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the West Coast District Municipality.

36. GRANTS AND SUBSIDIES PAID

* Darling Focus	-	40 000
* Huis van Heerde	25 000	25 000
SPCA	168 540	168 540
* Elkana Childcare	-	45 000
* Multipurpose Centre: Chatsworth	-	-
* Multi Purpose Centre: Illinge Lethu	30 334	45 039
* Multi Purpose Centre: Kalbaskraal	2 080	4 400
* Multi Purpose Centre: Moorreesburg	20 000	-
Museum - Malmesbury	41 200	37 450
Museum - Darling	41 200	37 450
Museum - Oude Kerk	41 200	37 452
Museum - Wheat Industry	41 200	37 450
National Sea Rescue Institute	-	26 316
* Night Shelter	25 000	25 000
* "Ons Kan" Training Centre	20 000	-
Tourism Swartland and Coastal Area	578 275	578 090
Yzerfontein Conservancy	50 000	50 000
Total Grants and Subsidies	1 084 029	1 157 187

Due to the need in the Swartland Municipal area for expert services and resources to support effective domestic animal management initiatives and controls, for which the Municipality do not have the resources, it is deemed necessary, from a perspective of serving the community, for the Municipality to contribute financially towards the operational costs of the SPCA.

* The aim of **these organisations** entails the social upliftment of the poor and disadvantaged section of the community. Financial aid by the Municipality to these organisations, as well as assistance in counselling and advisory services, is intended to enable them to fulfil the said aim.

Museums generally do not generate sufficient income from own resources and are, therefore dependant on financial aid from the public and organisations to meet their financial needs and obligations. The Municipality, consequently regards it appropriate to contribute financially to this end.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
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36. GRANTS AND SUBSIDIES PAID (continued)

Aware of the importance of the promotion of tourism in the area falling under the Municipality, the Council deems it their duty and privilege to assist financially towards the needs of the various **tourism bureau's** serving the area.

The **Yzerfontein Urban Conservancy** came into being to preserve and promote, on a voluntary basis, the conservation of the environment and heritage in, specifically, the sensitive coastal region within the boundaries of the Yzerfontein Local Nature Reserve. Financial assistance by the Municipality is intended to enable the Organisation to fund its programmes.

37. RESEARCH AND DEVELOPMENT COSTS

Electricity	95 675	100 000
Water	150 000	91 655
Sewerage	203 597	104 211
Refuse	140 680	-
Total Research and Development Costs	589 952	295 866

Research and Development Costs disclosed above, have been expensed immediately and are in respect of research into the future needs of the municipality and new resources to fulfil these needs.

38. GENERAL EXPENSES**Restated**

Included in general expenses is the following:-

Actuarial Costs	18 900	-
Abbotsdale Private Sewerage Connections	93 000	-
Administration Costs: Vehicles	89 192	82 850
Advertisements	456 195	506 529
Allowances: Ward Committee	-	-
Audit Committee Expenditure	54 304	34 774
Audit Costs	1 298 986	1 312 873
Bank costs	543 090	425 886
Cellphone Costs	369 925	-
Chatsworth Housing	485 324	-
Chemicals	954 642	905 992
Commission	1 244 660	1 089 531
Connection Fees	930 921	845 998
Connection Fees: Eskom	88 821	15 178 229
Consumables	486 622	487 023
Delegations/Congresses	72 801	60 938
Disaster Management	94 123	77 222
Efficiency Development	769 321	638 275
Entertainment	23 944	42 669
Evaluation of Posts	68 504	-
Fuel and Oil	4 187 769	3 516 704
Operating Lease Expenditure	118 391	143 579
Infrastructure: Asset Stocktake	-	-
Infrastructure: Civil Survey	-	-
Insurance	650 913	690 422
Inventory: Tools and Equipment	53 646	47 816
Job Creation	-	-
LED Projects: Red Door	111 301	66 762
Legal Fees	722 951	272 975
Licenses: Computer Systems	1 216 429	1 310 610
Masterplanning: Services	589 952	295 866
Mayor Expenses	1 154	4 477
Membership Fees: Council	521 135	472 462
Postage	696 051	775 279
Printing and Stationery	553 750	628 488
Projects	340 743	460 201
Protective Clothing	668 126	588 585
Refreshments: Offices	130 974	124 316
Rental of Facilities and Hiring of Equipment	206 950	353 048
Security Services	860 513	778 312
Subscriptions	79 787	81 948
Telecommunications	918 846	1 342 224

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
38. GENERAL EXPENSES (continued)		
Test Station Inspection Fees	33 892	20 300
Testing Sewerage	321 273	222 385
Traffic Fines	2 532 175	2 560 888
Training	175 850	163 602
Travelling Costs	371 269	299 629
Youth Camp (Africa Union)	306 944	375 858
Departmental Rates and Service Charges	-	5 844 509
Government Grant Expenditure	17 437 098	44 189 914
Other	8 277 857	5 014 974
Total General Expenses	50 229 014	92 334 922

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and is not directly attributable to a specific service or class of expense.

39. CASH GENERATED BY OPERATIONS

		Restated
Surplus for the year	14 308 539	(26 172 921)
Depreciation and Amortisation	65 220 464	63 106 261
Write- off of property, plant and equipment	3 274 750	8 787
Gain on disposal of property, plant and equipment	-	(2 705 355)
Increase/(Decrease) in provisions	3 138 118	2 116 551
Increase/(decrease) in consumer deposits	376 859	517 314
Accrual for interest on loans	-	1 176 507
Investment income	(9 484 819)	(13 376 892)
Interest paid	6 269 675	7 280 825
Operating surplus before working capital changes:	83 103 586	31 951 077
(Increase)/decrease in inventories	140 301	459 823
(Increase)/decrease in consumer debtors	-	(4 687 599)
(Increase)/decrease in exchange transactions	(5 368 176)	-
(Increase)/decrease in other debtors	-	(10 737 236)
(Increase)/decrease in non- exchange transactions	5 833 784	-
(Decrease)/increase in unspent conditional grants and receipts	(376 228)	699 146
Increase/(Decrease) in net operating leases	16 423	43 601
Increase/(Decrease) in creditors	(4 130 371)	4 667 937
Increase/(Decrease) in VAT	(335 767)	5 233 580
Cash generated by/(utilised in) operations	78 883 552	27 630 329

40. NON-CASH INVESTING AND FINANCING TRANSACTIONS

The Municipality was engaged in exchange transactions of non- monetary assets during the year. Various municipal properties were exchanged for similar assets acquired from the registered owners.

41. FINANCING FACILITIES

Unsecured Bank Overdraft Facility, reviewed annually and payable at call:

- Amount used	-	-
- Amount unused	1 000 000	1 000 000
	1 000 000	1 000 000

42. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 1)	53 749 977	67 493 322
Used to finance property, plant and equipment - at cost	53 749 977	67 493 322
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	4 583 377	4 694 718
Cash invested for repayment of long-term liabilities	4 583 377	4 694 718

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that the upcoming annual payment for long-term liabilities can be made.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

2011	2010
R	R

43. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**43. 1 *Unauthorised expenditure***

To the best of knowledge no unauthorised expenditure was incurred during the year under review.

43. 2 *Fruitless and wasteful expenditure*

To the best of knowledge instances of note indicating that fruitless and wasteful expenditure was incurred during the year under review were not revealed.

43. 3 *Irregular expenditure*

To the best of knowledge instances of note indicating that irregular expenses was incurred during the year under review were not revealed.

44. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**44. 1 *Contributions to organized local government***

Opening balance	-	-
Council subscriptions	497 392	398 685
Amount paid - current year	(497 392)	(398 685)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

44. 2 *Audit fees*

Opening balance	-	-
Current year audit fee	1 480 844	1 418 339
Amount paid - current year	(1 480 844)	(1 418 339)
Amount written back - previous years	-	-
Balance unpaid (included in creditors)	-	-

44. 3 *VAT*

VAT input receivables and VAT output payables are shown in note 17 and 24. All VAT returns have been submitted by the due date throughout the year.

44. 4 *PAYE and UIF*

Opening balance	-	-
Current year payroll deductions	10 939 691	8 335 155
Amount paid - current year	(10 939 691)	(8 335 155)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

44. 5 *Pension and Medical Aid Deductions***Restated**

Opening balance	-	-
Current year payroll deductions and Council Contributions	23 524 722	19 444 411
Amount paid - current year	(23 524 722)	(19 444 411)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

Comparative has been restated due to the fact that the previous year's amounts only included council's contributions.

44. 6 *Councillor's arrear consumer accounts*

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****44. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)****44. 7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The incidents as listed hereunder have been condoned.

Incident	Reasons submitted for non-compliance	Amount
Appointment of Deloitte Consulting for Categorization of Swartland Municipality according to the collective agreement of 21 April 2010 (TASK). Item 6.2 of minutes of the Executive Mayoral committee held on 21 July 2010.	The TASK results of Swartland Municipality were published in 2006 after which several major changes to certain positions were required and restructuring took place. In 2009 the West Coast District Municipality re-evaluated all new posts and job descriptions that required major changes. These re-evaluations needed to be audited prior to the implementation of the TASK results. Deloitte Consulting as the license holder of TASK is the sole supplier in the Western Cape to provide such service and was therefore selected to perform the audit.	R 76 250,00
Appointment of Breërivier Training Development between March and April 2010 for training provided to vehicle operators to ensure correct and safe use of vehicles. Item 6.3 of the minutes of the Executive Mayoral Committee held on 21 July 2010.	Breërivier Training Development has been engaged in the previous training of 51 vehicle operators and was the only qualified service provider from whom a quotation was received. Obtaining the service of the same service provider to further the training of another eight vehicle operators best serve the interest of the Municipality and only resulted in a slight deviation from the Supply Chain Management (SCM) Policy.	R 31 301,55
Appointment of Dogs and All for safekeeping and housing of four drug unit dogs of Swartland Municipality's Municipal Police unit. Item 7.12 of the minutes of the Executive Mayoral Committee held on 18 Augustus 2010.	Due to Dogs and All being the only supplier of this service in the Swartland Municipal area and the accommodation of the dogs considered as an emergency, the prescribed procurement procedures were not followed.	R 68 400.00
Appointment of Wamtechnology for the building of a ramp and toilet facilities for disabled persons. Item 7.15 of the minutes of the Executive Mayoral Committee held on 18 Augustus 2010.	According to the National Environment Management Act, a coastal consultant is required to manage the application in respect of building within a coastal area and is also responsible to expedite the process. Due to the application being a lengthy process and for Council to meet the deadline for the blue flag status, the prescribed procurement procedures were not followed by obtaining three quotations. The policy stipulates that all requirements in excess of R30 000 should be advertised for at least seven days on the website and the official notice boards of the municipality. The quotation of Wamtechnology for R31 920.00 is	R 31 920,00
Appointment of Hidro - Tech Systems for the repair of the irrigation- pump which supply water for the watering of sportfields as well as Rooiheuvels Farm. Item 7.6 of minutes of the Executive Mayoral Committee held on 15 September 2010.	Due to the size of the pump and the weight being more than 2 000kg, special equipment is required for the removal, transport and dismantle thereof. It is thus regarded as an exceptional case where it is impractical or impossible to follow the official procurement processes. Hydro-Tech Systems supplied and installed the pump and is therefore familiar with handling thereof.	R 52 312,00 (Excl. VAT)
Appointment of KV3 Raadgewende Ingenieurs for the updating and reporting of the Water Development plan according to the stipulations of Article 18 of the Water law, Law 108 of 1997. Item 7.7 of minutes of the Executive Mayoral Committee held on 15 September 2010	KV3 Consulting Engineers compiled the original Water Development plan and it would therefore be more practical and feasible to appoint them to execute the updating and reporting thereon as well.	R 35 000,00
Appointment of Ajabu Promotions. Supplying of T-shirts and tops with a logo for Sondeza Afri-Youth camp 2010. Item 7.8 of minutes of the Executive Mayoral Committee held on 16 November 2010.	Quotations could not be obtained earlier as the sizes of the clothing were not known in advance. It is impractical to advertise the rendering of the service for at least seven days as it would be impossible for a service provider to supply the clothing timeously on such short notice. Ajabu Promotions is known to the Municipality for their quality clothing and is capable of delivering the service on the due date.	R 34 309.35

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****44. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)****44. 7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act (continued)**

Incident	Reasons submitted for non-compliance	Amount
Appointment of Alwyn Laubscher & Associates for the supplying of a Development Policy/Guide for Riebeeck Valley (Riebeeck Kasteel, Riebeeck West and Ongegund), Darling, Yzerfontein and Moorreesburg . Item 7.14 of minutes of the Executive Mayoral Committee held on November 2010.	Due to the imperativeness and pressure from potential developers that the Municipality should compile development contribution processes and make known its development directives for the realisation of future developments, it is impractical to comply with the prescript SCM policy. The acquisition of the service will be delayed should the official procurement processes be followed to the prejudice of developers, the Municipality and potential investors. Alwyn Laubscher & Associates were responsible for the compilation of the development manual for Malmesbury and it is therefore practical to make use of their services to develop it for the other areas in Swartland as well.	R 46 600,00 (Excl VAT)
Appointment of Jan Palm Consulting Engineers for Upgrading of the Integrated Waste Management Plan(IWMP) according to Environmental legislation. Item 7.19 of minutes of the Executive Mayoral Committee held on 17 November 2010.	Swartland Municipality budgeted for a 30 year master plan for solid waste but according to Environmental legislation the upgrading of the IWMP must be performed every five years. The upgrading is only a follow-up on the existing IWMP which was compiled by Jan Palm Consulting Engineers in 2005. It will be impractical to follow the official procurement processes as the service provider compiled the original IWMP and has sufficient knowledge of the Swartland / West Coast area.	R 160 375,20
Appointment of Agri Expert BK for the Planning and implementation of Community dwellings ("krale") to accommodate animals. Item 7.6 of minutes of the Executive Mayoral Committee held on 8 December 2010.	Agri Expert CC was responsible for the Planning and implementation of Community dwellings in the municipal area in 2007. It would thus be practical and beneficial to appoint them to amend and modify the Business Plan due to their involvement in previous projects and skills.	R 93 708,00 (Excl VAT)
Appointment of Copy Type for the substitution of an existing contract for the hiring of a photo copy machine for 60 months. Item 7.4 of minutes of the Executive Mayoral Committee held on 9 February 2011.	A contract with Copy Type has been concluded for 60 months in 2005. The contract requires a 90 day notice period before the contract will be cancelled. Swartland municipality failed to honor this condition and therefore the contract was automatically renewed for an additional 12 months. A new contract was concluded with Copy Type for 36 months as a substitute for the current contract.	
Appointment of J van der Merwe to comment on the 2010 , Growth Potential Study of the Swartland Municipal Area Item 7.3 of minutes of the Executive Mayoral Committee held on 9 February 2011.	The Department of Environmental Affairs and Development Planning requested comments on the 2010 Growth Potential Study before 25 February 2011. The Municipality appointed Professor I J van der Merwe to perform this task. Professor I J van Merwe was instrumental in the compilation of the 2004 Growth Potential Study and therefore he is familiar with the methodology of the study as well as the potential of the Swartland Municipality.	R 21 765,52
Appointment of Jan Palm Consulting Engineers for the monitoring of the Swartland solid waste facilities. Item 8.16 of minutes of the Executive Mayoral Committee held on 11 May 2011.	Requirements for the monitoring of solid waste facilities are established and licenses are issued by the Department of Environmental Affairs and Development Planning. Jan Palm Consulting Engineers have been monitoring the solid waste facilities for the past 16 years with great success and due to practical and execution reasons the municipality decided to appoint them again.	

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****44. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)****44. 7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act (continued)**

Incident	Reasons submitted for non-compliance	Amount
Repairs to the Moorreesburg Waste Management Biofilter Item 8.17 of minutes of the Executive Mayoral Committee held on 11 May 2011	The Biofilter of the Moorreesburg Waste Management is an integral component in the waste purification process. Without the Biofilter the waste will not be treated sufficiently and will result in sub-standard waste which does not adhere to legislation. The Biofilter broke down on 25 Nov 2010. The incident was seen as an emergency and therefore the official procurement processes could not be followed.	R 122 250.00 (Excl. VAT)
Procurement of Electrical Switch Gear Item 8.19 of minutes of the Executive Mayoral Committee held on 11 May 2011	The urgent purchase of the appliance was essential for supplying of electricity in the area. Various suppliers were contacted in respect of the damaged equipment to enquire the availability of a replacement unit. Power Transformers did have a similar unit in stock and could make it available immediately.	R 35 450.00 (Excl. VAT)
Appointment of EKKO cc for the formatting of 10-year newsletter. Item 7.7 of the minutes of the Executive Mayoral Committee held on 17 November 2010.	Four suppliers on the database were requested to submit written price quotations for the establishment of a special newsletter to celebrate the tenth anniversary of the municipality. However, only one supplier responded, namely ICSC (EKKO CC) of which the quotation was R3 554.80 in excess of R30 000 (VAT included). The policy stipulates that all requirements in excess of R30 000 should be advertised for at least seven days on the website and the official notice boards of the municipality. Due to the unforeseen situation of the prices being slightly in excess of the prescribed limit, it would be impractical and unfair to obtain further tenders as the price of EKKO CC is already known. Insufficient time was available to request informal tenders by means of advertising on the website.	R 33 554.80 (Incl. VAT)
Appointment of ITS Consulting Engineers for a study regarding upgrading of roads in municipal area. Item 6.13 of the minutes of the Executive Mayoral Committee held on 13 April 2010.	ITS Consulting Engineers previously performed a detailed study regarding the transport master planning in the Riebeeck Valley, and it is therefore practical to appoint them to include a study regarding the upgrading of roads in this municipal area.	R 45 000.00 (Excl. VAT)
Appointment of Vodacom to link the network via cell phone network. Item 6.22 of the minutes of the Executive Mayoral Committee held on 13 April 2010.	Connecting through a cell phone network is more cost-effective than running the network through Telkom's digital data lines. Telkom is currently charging the municipality R 9 274.07 (VAT excl.) per month to provide the service, comparing to the R 2 624.85 (VAT excl.) per month quoted by VODACOM. Network speed is an essential part of the effective functioning of the network and research indicated that the protocol with the highest speed of GPRS, EDGE and 3G/HSDPA could only be furnished by VODACOM in the areas required by the municipality. It is thus impractical to follow the official procurement processes as VODACOM is the only supplier with the ability to perform the require service.	
Appointment of Mubesko Africa for the completion of Strategic Planning. Item 7.7 of the minutes of the Executive Mayoral Committee held on 17 June 2011.	The service provider was engaged in the previous phase during April 2010 by illustrating to Council and Management the process of financial stabilisation and sustainability. It is impractical to follow the official procurement processes as MUBESKO AFRICA CC is the only supplier with the ability to perform the require services and has the capacity to immediately get involved in the execution thereof on such short notice.	R111 547.00

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
44. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)		
<i>44. 8 Material Losses</i>		
Electricity distribution losses		
Units purchased (Kwh)	186 016 651	180 343 405
Units sold (Kwh)	171 855 026	164 828 260
Units lost during distribution (Kwh)	14 161 625	15 515 145
Percentage lost during distribution	7.61	8.60
Water distribution losses		
Kiloliters purchased	5 514 755	5 206 481
Kiloliters sold	4 630 755	4 476 298
Kilolitres lost during distribution	884 000	730 183
Percentage lost during distribution	16.03	14.02
45. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- Approved and contracted for	68 664 753	8 880 000
Infrastructure	68 414 753	8 880 000
Other	250 000	-
- Approved but not yet contracted for	27 683 904	77 723 200
Infrastructure	10 975 000	64 712 000
Community	-	4 380 000
Heritage	-	-
Other	16 708 904	8 631 200
Total	96 348 657	86 603 200
This expenditure will be financed from:		
- External Loans	44 879 349	14 197 000
- Capital Replacement Reserve	38 245 308	36 521 200
- Government Grants	13 224 000	35 885 000
	96 348 657	86 603 200

46. FINANCIAL INSTRUMENTS**Restated*****46. 1 Classification*****Financial Assets**

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows:

Long-term Receivables

Loans to Public Organisations	Loans and receivables	255 119	266 285
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Finance Lease Receivables

Housing Selling Scheme Loans	Loans and receivables	226 464	256 448
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Trade and other receivables from exchange transactions

Electricity	Loans and receivables	17 175 698	14 213 627
Water	Loans and receivables	4 324 006	3 751 026
Sewerage	Loans and receivables	2 862 791	2 687 377
Refuse Removal	Loans and receivables	2 173 213	2 063 902
Housing Rentals	Loans and receivables	76 276	103 527
Other Debtors	Loans and receivables	28 926 428	738 793

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

		2011 R	2010 R
46. FINANCIAL INSTRUMENTS (continued)			
46. 1 Classification (continued)			
Trade and other receivables from non-exchange transactions			
Rates	Loans and receivables	6 919 235	6 664 107
Insurance claims	Loans and receivables	16 774	9 821
Government grants and subsidies	Loans and receivables	1 070 498	9 137 559
Sundry debtors	Loans and receivables	4 542 804	2 223 587
Current Portion of Long-term Receivables			
Loans to Public Organisations		11 166	10 042
Current Portion of Finance Lease Receivables			
Housing Selling Scheme Loans	Loans and receivables	12 350	32 102
Bank Balances and Cash			
Short-term Investments	Held to maturity	70 000 000	-
Bank Balances	Available for sale	95 385 618	188 241 878
Cash Floats and Advances	Available for sale	17 130	17 130
Total Financial Assets		233 995 570	230 417 211
Financial liabilities			
In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows:			
Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	48 865 552	62 162 687
Consumer Deposits			
Electricity and Water	Financial liabilities at amortised cost	5 791 841	5 414 982
Creditors			
Trade creditors	Financial liabilities at amortised cost	22 578 836	29 403 371
Retentions	Financial liabilities at amortised cost	1 980 927	1 259 295
Staff leave	Financial liabilities at amortised cost	5 022 022	4 552 857
Other creditors	Financial liabilities at amortised cost	5 000 872	3 679 049
Current Portion of Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	4 232 658	4 339 134
Capitalised Lease Liability	Financial liabilities at amortised cost	350 719	355 584
Total Financial Liabilities		93 823 427	111 166 959

46. 2 Fair Value of Financial Instruments

Management of the municipality is of the opinion that the carrying value of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

46. 3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2007.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 4, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Notes 2 and 38 and the Statement of Changes in Net Assets.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
46. FINANCIAL INSTRUMENTS (continued)		
46. 3 Capital Risk Management (continued)		
<u>Gearing Ratio</u>		
The gearing ratio at the year-end was as follows:		
Debt	53 749 977	67 493 322
Bank Overdraft	-	-
Net Debt	<u>53 749 977</u>	<u>67 493 322</u>
Equity	<u>1 780 024 268</u>	<u>1 766 198 604</u>
Net debt to equity ratio	3.02 %	3.82 %

Debt is defined as Long- and Short-term Liabilities as detailed in Note 19

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

46. 4 Financial Risk Management Objectives

The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

46. 5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset and Financial Liability are disclosed in the Accounting Policies to the Annual Financial Statements.

46. 6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 46.7 below). No formal policy exists to hedge volatilities in the interest rate market.

46. 6. 1 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term debtors, consumer debtors, other debtors, and bank and cash balances.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates.

46. 6. 2 Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instrument at year-end with variable interest rates are set out in 46.7 and below.

- If interest rates had been 100 basis points higher/lower and all other variables were held constant, the municipality's surplus for the year ended 30 June 2011 would have decreased/increased by R 1,412,362 (2010: decreased/increased by R 1,924,545). This is mainly attributable to the municipality's exposure to interest rates on its variable rate short term deposits.

The municipality's sensitivity to interest rates has increased during the current period mainly due to the reduction in the interest rate of the variable rate financial assets.

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

46. FINANCIAL INSTRUMENTS (continued)

46. 7 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 41 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.(cash).

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative **financial liabilities**. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 June 2011

Description	Average effective Interest Rate	6 Months or less	6 - 12 Months	1 - 2 Years	Total carried forward
	%	R	R	R	R
INTEREST-BEARING INSTRUMENTS					
FIXED RATE INSTRUMENTS					
Unsecured Bank Facilities		4 648 206	4 648 176	9 296 412	18 592 794
Development Bank	12.00	-	-	-	-
Development Bank	15.50	-	-	-	-
Development Bank	9.67	150 684	150 684	301 368	602 736
Development Bank	9.575	2 499 258	2 499 258	4 998 516	9 997 032
INCA	11.60	1 998 264	1 998 234	3 996 528	7 993 026
VARIABLE RATE INSTRUMENTS					
Unsecured Bank Facilities		46 603	45 158	87 275	179 036
Development Bank	8.545	46 603	45 158	87 275	179 036
Total Interest-bearing Instruments		4 694 809	4 693 334	9 383 687	18 771 830
NON-INTEREST-BEARING INSTRUMENTS					
Current liabilities					
Consumer deposits		5 791 841	-	-	5 791 841
Creditors		35 399 108	-	-	35 399 108
Capitalised Lease Liability		350 719			350 719
Total Non-Interest-bearing Instruments		41 541 668	-	-	41 541 668
TOTAL UNDISCOUNTED CASH FLOWS OF FINANCIAL LIABILITIES		46 236 477	4 693 334	9 383 687	60 313 498

30 June 2011 (continued)

Description	Average effective Interest Rate	Total brought Forward	2 - 5 Years	More than 5 Years	Total carried forward
	%	R	R	R	R
INTEREST-BEARING INSTRUMENTS					
FIXED RATE INSTRUMENTS					
Unsecured Bank Facilities		18 592 794	17 897 916	64 741 709	101 232 419
Development Bank	12.00	-	-	-	-
Development Bank	15.50	-	-	-	-
Development Bank	9.67	602 736	904 105	2 260 262	3 767 103
Development Bank	9.67	9 997 032	14 995 547	62 481 447	87 474 026
INCA	11.60	7 993 026	1 998 264	-	9 991 290
VARIABLE RATE INSTRUMENTS					
Unsecured Bank Facilities		179 036	234 909	250 407	664 352
Development Bank	8.545	179 036	234 909	250 407	664 352
Total Interest-bearing Instruments		18 771 830	18 132 825	64 992 116	101 896 771

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****46. FINANCIAL INSTRUMENTS (continued)****46. 7 Liquidity Risk Management (continued)****Liquidity and Interest Risk Tables (continued)****30 June 2011 (continued)**

Description	Average effective Interest Rate	Total brought Forward	2 - 5 Years	More than 5 Years	Total carried forward
NON-INTEREST-BEARING INSTRUMENTS					
Current liabilities					
Consumer deposits		5 791 841	-	-	5 791 841
Creditors		35 399 108	-	-	35 399 108
Capitalised Lease Liability		350 719	-	-	350 719
Total Non-Interest-bearing Instruments		41 541 668	-	-	41 541 668
TOTAL UNDISCOUNTED CASH FLOWS OF FINANCIAL LIABILITIES		60 313 498	18 132 825	64 992 116	143 438 439

30 June 2010

Description	Average effective Interest Rate	6 Months or less	6 - 12 Months	1 - 2 Years	Total carried forward
INTEREST-BEARING INSTRUMENTS	%	R	R	R	R
FIXED RATE INSTRUMENTS					
Unsecured Bank Facilities		5 490 016	5 490 016	10 980 035	21 960 067
Development Bank	12.00	307 040	307 040	614 081	1 228 161
Development Bank	15.50	549 671	549 671	1 099 345	2 198 687
Development Bank	9.67	149 206	149 206	298 411	596 823
Development Bank	9.575	2 485 835	2 485 835	4 971 670	9 943 340
INCA	11.60	1 998 264	1 998 264	3 996 528	7 993 056
VARIABLE RATE INSTRUMENTS					
Unsecured Bank Facilities		52 537	50 816	98 139	201 492
Development Bank	8.545	52 537	50 816	98 139	201 492
Total Interest-bearing Instruments		5 542 553	5 540 832	11 078 174	22 161 559
NON-INTEREST-BEARING INSTRUMENTS					
Current liabilities					
Consumer deposits		5 413 516	-	-	5 413 516
Creditors		37 991 321	-	-	37 991 321
Capitalised Lease Liability		355 584	-	-	355 584
Total Non-Interest-bearing Instruments		43 760 421	-	-	43 760 421
TOTAL UNDISCOUNTED CASH FLOWS OF FINANCIAL LIABILITIES		49 302 974	5 540 832	11 078 174	65 921 980

30 June 2010 (continued)

Description	Average effective Interest Rate	Total brought Forward	2 - 5 Years	More than 5 Years	Total carried forward
INTEREST-BEARING INSTRUMENTS	%	R	R	R	R
FIXED RATE INSTRUMENTS					
Unsecured Bank Facilities		21 960 067	26 945 304	77 976 892	126 882 263
Development Bank	12.00	1 228 161	1 842 242	1 842 235	4 912 638
Development Bank	15.50	2 198 687	3 298 026	3 847 703	9 344 416
Development Bank	9.67	596 823	895 234	2 685 622	4 177 679
Development Bank	9.67	9 943 340	14 915 009	69 601 332	94 459 681
INCA	11.60	7 993 056	5 994 793	-	13 987 849
VARIABLE RATE INSTRUMENTS					
Unsecured Bank Facilities		201 492	263 127	334 251	798 870
Development Bank	8.545	201 492	263 127	334 251	798 870
Total Interest-bearing Instruments		22 161 559	27 208 431	78 311 143	127 681 133

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****46. FINANCIAL INSTRUMENTS (continued)****46. 7 Liquidity Risk Management (continued)****Liquidity and Interest Risk Tables (continued)****30 June 2010 (continued)**

Description	Average effective Interest Rate	Total brought Forward	2 - 5 Years	More than 5 Years	Total carried forward
NON-INTEREST-BEARING INSTRUMENTS					
Current liabilities					
Consumer deposits		5 413 516	-	-	5 413 516
Creditors		37 991 321	-	-	37 991 321
Capitalised Lease Liability		355 584	-	-	355 584
Total Non-Interest-bearing Instruments		43 760 421	-	-	43 760 421
TOTAL UNDISCOUNTED CASH FLOWS OF FINANCIAL LIABILITIES		65 921 980	27 208 431	78 311 143	171 441 554

The municipality has access to financing facilities, the total unused amount which is R 1,000,000 at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increasing tariffs and the increased use of unsecured bank loan facilities.

46. 8 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit risk exposure in respect of the relevant financial instruments is as follows:

	2011 R	2010 R Restated
Fixed Deposit Investments	70 000 000	-
Long-term Receivables	266 285	276 327
Trade and other receivables from exchange transactions	31 553 743	26 665 183
Trade and other receivables from exchange transactions	14 690 412	20 875 631
Finance lease receivables	238 814	288 550
Bank Guarantees	170 900	170 900
Bank and Cash Balances	95 402 748	188 259 008
Maximum Credit and Interest Risk Exposure	212 322 902	236 535 599

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
46. FINANCIAL INSTRUMENTS (continued)		
46. 8 Credit Risk Management (continued)		
The credit quality of financial assets that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates:		
Trade and other receivables from exchange transactions		
Group 1	14 108 627	13 594 066
Group 2	324 907	344 517
Group 3	2 956 145	1 023 775
Total: Trade and other receivables from exchange transactions	17 389 679	14 962 358
Long- Term Receivables		
Group 1	266 285	276 327
Group 2	-	-
Group 3	-	-
Total: Long- Term Receivables	266 285	276 327
Finance lease receivables		
Group 1	238 814	288 550
Group 2	-	-
Group 3	-	-
Total finance lease receivables	238 814	288 550
Trade and other receivables from exchange transactions		
Group 1	4 466 463	3 156
Group 2	132 453	3 666
Group 3	177 154	254 777
Total: Trade and other receivables from exchange transactions	4 776 070	261 599
Bank balances		
ABSA Bank limited	95 402 748	188 259 008

Group 1 - High certainty of timely payment. Risk of non- payment is considered to be low as these receivables maintained a payment rate of more than 70 %.

Group 2 - Reasonable certainty of timely payment. The risk of non- payment is considered to be moderate as these receivables maintained a payment rate of 50 - 70 % during the year.

Group 3 - The risk factors of non- payment are larger as these receivables had a payment rate of below 50 % during the year.

47. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The personnel of the Swartland Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund is defined benefit plan, whereas the Cape Joint Retirement Fund, Municipal Councillors Fund, The Provident Fund and The National Fund for Municipal Workers are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not nationally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****47. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (continued)****CAPE JOINT PENSION FUND**

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme.

The defined benefit scheme is a multi-employer plan and the contribution rate payable is 9 %, by the members and 18 % by Council which is less than the recommended rate of 32.1 %. The last valuation performed for the year ended 30 June 2010 (30 June 2009) revealed that the fund had an actuarial surplus of R 0,00 million (0,00 million) with a funding level of 100,0 % (100,0 %), a solvency reserve with a closing balance of R 4,869 million (R 220,6), and is in a sound financial state as at 30 June 2010.

The actuarial valuation report at 30 June 2010 indicated that the defined contribution scheme of the fund is in a sound financial position, with a funding level of 102.0 % (2009: 100.3 %).

CAPE RETIREMENT FUND

The contribution rate paid by the members (9,0 %) and Council (18,0 %) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2010 (30 June 2009) revealed that the fund had an actuarial surplus of R 127,5 million (R 119,9 million) with a funding level of 100.3 % (131.9 %). Certified in a sound financial position as at 30 June 2010.

MUNICIPAL COUNCILLORS PENSION

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The actuarial valuation of the fund was undertaken at 30 June 2007 and was reported to be in a sound financial position. The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future.

SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

The contribution rate payable is 7,5 % by the members 18 % by Council. Actuarial valuation on this fund is performed every three years, and the last valuation performed for the year ended 30 June 2005 certified that the fund is in a sound financial state.

NATIONAL FUND FOR MUNICIPAL WORKERS

The above mentioned fund is a defined contribution Fund and according to Regulation 2 of the Pension Funds Act no 24 of 1956 exempt from the provisions of sections 9A and 16 of the Act. The contribution rate paid by the members is 9.00 % and by the council is 18.00 %.

The latest voluntary valuation was done on 30 June 2008 (30 June 2007). As at 30 June 2008 the results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions plus investment returns less administration costs. The NFMW Retirement Fund does not have any reserve accounts or surpluses which could be allocated to members Fund records.

None of the above mentioned plans are state plans.

48. RELATED PARTY TRANSACTIONS

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

48. 1 Services rendered to related parties	Rates	Service Charges	Other	Outstanding Balances
30 June 2011				
Councillors	36 170	180 793	2 657	17 039
Municipal Manager and Section 57 Personnel	38 987	119 505	-	12 188
Total	75 157	300 298	2 657	29 227
30 June 2010				
Councillors	30 398	141 951	1 552	12 903
Municipal Manager and Section 57 Personnel	36 202	93 065	-	9 444
Total	66 600	235 016	1 552	22 347

The rates, service and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel (managers directly accountable to the Municipal Manager). No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

SWARTLAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

48. RELATED PARTY TRANSACTIONS (continued)

48. 2 Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004.

48. 3 Compensation of key management personnel

The compensation of key management personnel is set out in note 31.

48. 4 Other related party transactions

The Municipality entered into business transactions during the financial year under review with the service provider mentioned below. The said providers are considered to be related parties as they are in some way or other connected to the Municipality, either as councillor or family tie to employees of the Municipality. These transactions were duly concluded in compliance with the provisions of the Supply Chain Management Policy of the Municipality.

Service Provider	Value of Transaction	Name of Councillor/Employee/Supplier	Relation to Service Provider
ARB Electrical Wholesalers	R 58 873	Jacob Modist	Director of ARB and Eskom Holdings as well as CEO of the Road Accident Fund.
Blackbird Trading 49 CC	R 161 003	Marlene Smit	Spouse
Ithuba Industries	R 263 096	A de Morney	Spouse/Teacher
Lumber and Lawn (Pty)Ltd	R 81 187	Jorina van Zyl	Spouse/Teacher
Mubesko Africa cc	R 119 071	H le Roux	Former deputy Ceo of Witzenberg Municipality.
Riebeek Construction CC	R 220 795	Hennie Appolis	Stepfather
Roja Contractors And Trading	R 36 739	Julrich Liedeman	Son
W J Cotter Electrical CC	R 179 830	T van Essen	Father in law
W J De Bruyn Builders	R 436 034	Angelo de Bruyn	Son
Yolanda Petersen	R 10 380	Ricardo Petersen	Husband

49. CONTINGENT LIABILITY

	2011 R	2010 R
Guarantees in favour of Eskom	70 900	70 900
Guarantees in favour of South African Post Office Limited	100 000	100 000
	170 900	170 900

Bank guarantees provided to Eskom for the supply of electricity to the Municipality for distribution amongst consumers. The guarantees is covered to a large extend by cash deposits recovered from the individual consumers of electricity within the municipal area.

A bank guaranty has been obtained from ABSA Bank and issued to the SA Post Office which serves as security in respect of the payment for the monthly delivery of the municipal accounts.

50. CONTINGENT ASSET

The Municipality was not engaged in any transaction or event during the year under review giving rise to a contingent asset.

51. IN-KIND DONATION AND ASSISTANCE

The Municipality received a sewerage pipeline from the sewage treatment facility to Mount Royal as a donation during the year under review.

52. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

53. PRIVATE PUBLIC PARTNERSHIPS

The Municipality has as yet not entered into a public-private partnership agreement with any private party.

54. EVENTS AFTER THE REPORTING DATE

No events having significant financial implications requiring disclosure occurred subsequent to 30 June 2011

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****55. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY****(a) i) Correction of error - Previous period transactions**

A number of errors in prior period transactions were discovered and corrected in the current financial period. These errors include incorrect property rate charges, faulty meter readings and levies in respect of service charges. These corrections have been applied retrospectively and the effects thereof are as follows:

	Total of correction 2010
Decrease / (increase) in Revenue	(76 052)
Property rates	23 014
Service charges	(100 135)
Interest earned - outstanding debtors	
Electricity	164
Other	21
Property Rates	932
Refuse Removal	2
Water	4 123
Other income	
Application: Service Connections	(136)
Sundries	(5 175)
Rates: Lessee	14
Sewerage Pumping	1 124
Decrease/(Increase) in surplus for the year ended 30 June 2010	(76 052)
Increase/(decrease) in Consumer debtors	71 901
Property rates	(23 946)
Electricity	103 764
Water	(7 366)
Sewerage	(250)
Refuse removal	(301)
Increase/(decrease) in Other Debtors	4 151
Sundry debtors	4 151

(a) ii) Correction of error - Equitable share

In 2009/2010 a portion of the equitable share granted to indigent households remained unused and appeared as credits on consumer debtor accounts - these transactions and consumer accounts were adjusted to reflect correct amounts in the comparative year. This correction has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2010
Increase/(decrease) in General expenses	(2 185)
Government Grant Expenditure	(2 185)
Decrease/(Increase) in surplus for the year ended 30 June 2010	(2 185)
Increase/(decrease) in Consumer debtors	2 185
Property rates	399
Sewerage	1 786

(a) iii) Correction of error - Disputes with creditors

Certain payments to creditors were not made during the 2009/10 financial period due to disputes regarding amounts payable. As a result the expenditure and accrual regarding the creditors were not reflected in the 30 June 2010 financial statements - these expenditures and creditors were adjusted to reflect correct amounts in the comparative year. This correction has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2010
Increase/(decrease) in General expenses	124 348
Membership fees - Council	124 348
Decrease/(Increase) in surplus for the year ended 30 June 2010	124 348
(Increase)/decrease in creditors	(124 348)
Trade creditors	(124 348)

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****55. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)****(a) iv) Correction of error - Disputes with creditors**

During 2009/10 the expenditure and accrual regarding SALGA council membership fees were reflected in the 30 June 2010 financial statements - subsequently the dispute was settled and the association agreed that a certain amount need not be paid. The expenditure and creditor amounts were adjusted to reflect correct amounts in the comparative year. This correction has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2010
Increase/(decrease) in General expenses	(86 072)
<i>Membership fees - Council</i>	<div style="border: 1px solid black;">(86 072)</div>
Decrease/(Increase) in surplus for the year ended 30 June 2010	<div style="border-top: 1px solid black; border-bottom: 3px double black;">(86 072)</div>
(Increase)/decrease in creditors	86 072
<i>Trade creditors</i>	<div style="border: 1px solid black;">86 072</div>

(a) v) Correction of error - Municipal Infrastructure Grant spent during 2008/09

It was discovered that the effect of MIG expenditure during 2008/09 was erroneously not appropriately accounted for between *Unspent conditional grants and receipts* (liability) and revenue from *Conditional Government grants and subsidies*. Correction of this error has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2010
Decrease/(increase) in Accumulated surplus 30 June 2009 (opening balance 2009/2010)	(8 675 000)
Decrease/(Increase) in Unspent conditional grants and receipts 30 June 2009 (opening balance 2009/2010)	8 675 000

(a) vi) Correction of error - Amounts claimed from Workmen's Compensation Commissioner

Amounts claimed from the Workmen's Compensation Commissioner during 2008/2009 and during 2009/2010, which effectively decreases employee expenses, were received during the current financial period. The expenditure and debtor amounts were adjusted to reflect correct amounts in the comparative year. Correction of this error has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2010
Decrease/(increase) in Accumulated surplus 30 June 2009 (opening balance 2009/2010)	(41 418)
Increase/(decrease) in Other debtors 30 June 2009 (opening balance 2009/2010)	41 418
Increase/(decrease) in Employee related costs	(22 621)
Decrease/(Increase) in surplus for the year ended 30 June 2010	<div style="border-top: 1px solid black; border-bottom: 3px double black;">(22 621)</div>
Increase/(decrease) in Other debtors	22 621

(a) vii) Correction of error - Capital contributions paid back to developers

During the current financial periods certain amounts of *Other income - capital contributions* recognised during 2009/2010 was paid back to developers. Correction of this error has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2010
Decrease / (increase) in Revenue	37 842
<i>Other income</i>	<div style="border: 1px solid black;">37 842</div>
Decrease/(Increase) in surplus for the year ended 30 June 2010	<div style="border-top: 1px solid black; border-bottom: 3px double black;">37 842</div>
(Increase)/decrease in creditors	(37 842)
<i>Other creditors</i>	<div style="border: 1px solid black;">(37 842)</div>

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****55. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)****(a) viii) Correction of error - Provision for Task back-pay**

During the 2009/2010 financial period, the estimate for task back-pay was determined incorrectly and exceeded the actual amount subsequently paid in the current financial period. Correction of this error has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2010
Increase/(decrease) in Employee related costs	(105 431)
Decrease/(Increase) in surplus for the year ended 30 June 2010	<u>(105 431)</u>
(Increase)/decrease in current provisions	105 431

(a) ix) Correction of error - Payment received in advance incorrectly accounted for

During 1990 an amount was received for the 'booking' of a gravesite, and the amount was recognised as revenue and not as 'Income received in advance'. It was discovered during the current period that the amount was however paid back prior to 2009/2010, as the site was not to be utilised anymore. Correction of this error has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2010
Decrease/(increase) in Accumulated surplus 30 June 2009 (opening balance 2009/2010)	600
(Increase)/decrease in creditors 30 June 2009 (opening balance 2009/2010)	(600)
(Increase)/decrease in creditors	(600)
<i>Payments received in advance</i>	<u>(600)</u>

(a) x) Correction of error - Accrual for UIF

In terms of a legal opinion and recommendation by the AGSA, regarding deduction of UIF from councillors' salaries and payment to the UIF, a prior period correction was applied retrospectively during the prior financial period. Based on an additional legal opinion obtained and applied by the City of Cape Town, a decision was subsequently (March 2011) made by the Executive Mayoral Committee that UIF **will not** be deducted or paid over to the UIF. Correction of this error has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2010
Decrease/(increase) in Accumulated surplus 30 June 2009 (opening balance 2009/2010)	(134 877)
Increase/(decrease) in Employee costs	(29 420)
Decrease/(Increase) in surplus for the year ended 30 June 2010	<u>(29 420)</u>
Decrease in Creditors	328 594
(Decrease) in Other debtors	(164 297)

(a) xi) Correction of error - Retention money incorrectly calculated

During the previous financial period, certain amounts relating to retention fees were incorrectly calculated. This error has been corrected retrospectively and the effect thereof is as follows:

	Total of correction 2010
Increase in Assets	(33 962)
<i>PPE cost</i>	<u>(33 962)</u>
Increase in Creditors	
<i>Retentions</i>	(33 962)

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****55. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)****(a) xii) Correction of error - Inventory incorrectly accounted for**

During the current financial period, it was discovered that credit balances exist on certain inventory accounts - these relate to transactions in periods prior to 2008/2009. This error has been corrected retrospectively and the effect thereof is as follows:

	Total of correction 2010
Decrease/(increase) in Accumulated surplus 30 June 2009 (opening balance 2009/2010)	18 904
Increase/(decrease) in inventories 30 June 2009 (opening balance 2009/2010)	(18 904)
Decrease in Inventory	(18 904)

(a) xiii) Correction of error - Operating leases

During the current financial period, it was discovered that operating lease asset/liability was incorrectly disclosed in previous years. In addition, an amount paid during 2010/11 relates to and should have been accounted for during 2009/10. This error has been corrected retrospectively and the effect thereof is as follows:

	Total of correction 2010
Decrease/(increase) in Accumulated surplus 30 June 2009 (opening balance 2009/2010)	(29 591)
Increase/(decrease) in Operating lease asset 30 June 2009 (opening balance 2009/2010)	39 038
(Increase)/decrease in Operating lease liability 30 June 2009 (opening balance 2009/2010)	(9 447)
(Increase)/decrease in Rental of Facilities and Equipment	(10 285)
Other	(10 285)
Decrease/(Increase) in surplus for the year ended 30 June 2010	(10 285)
Increase/(decrease) in General expenses	307
Operating lease expenditure	307
Decrease/(Increase) in surplus for the year ended 30 June 2010	(9 978)
(Increase) in Creditors	(2 659)
Decrease/(increase) in Operating lease liability	(8 401)
Decrease/(increase) in Operating lease asset	50 629

(a) xiv) Correction of error - Remaining useful lives

During the current financial period, it was discovered that, for a number of PPE assets, Investment properties, and Intangible assets, remaining useful lives were not reviewed during prior periods. This error has been corrected retrospectively and the effect thereof is as follows:

	Total of correction 2010
Decrease/(increase) in Accumulated surplus 30 June 2009 (opening balance 2009/2010)	(165 809 590)
Increase/(decrease) in PPE 30 June 2009 (opening balance 2009/2010)	165 717 792
Cost	-
Accumulated depreciation	165 717 792
Increase/(decrease) in Intangible assets 30 June 2009 (opening balance 2009/2010)	14 701
Cost	-
Accumulated amortisation	14 701
Increase/(decrease) in Investment property 30 June 2009 (opening balance 2009/2010)	77 097
Cost	-
Accumulated depreciation	77 097
Increase/(decrease) in Depreciation and amortisation	(7 422 548)
Decrease/(Increase) in surplus for the year ended 30 June 2010	7 422 548

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****55. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)****(a) xiv) Correction of error - Remaining useful lives (continued)**

Increase/(decrease) in PPE	173 131 746
Cost	-
Accumulated depreciation	173 131 746
Increase/(decrease) in Intangible assets	20 576
Cost	-
Accumulated depreciation	20 576
Increase/(decrease) in Investment property	79 816
Cost	-
Accumulated depreciation	79 816

(a) xv) Correction of error - Investment property and PPE

During the current financial period, it was discovered that a property, erf no. 1199, was erroneously removed from the Investment property register during 2009/10. In addition, it was discovered that a vehicle belonging to the municipality was never included in the PPE asset register. These errors have been corrected retrospectively and the effect thereof is as follows:

	Total of correction 2010
Decrease/(increase) in Accumulated surplus 30 June 2009 (opening balance 2009/2010)	(99 240)
Increase/(decrease) in PPE 30 June 2009 (opening balance 2009/2010)	99 240
Cost	128 742
Accumulated depreciation	(29 502)
Increase/(decrease) in Depreciation and amortisation	11 264
Decrease/(Increase) in surplus for the year ended 30 June 2010	11 264
Increase/(decrease) in PPE	87 976
Cost	128 742
Accumulated depreciation	(40 766)
Decrease/(increase) in Accumulated surplus	(12 446)
Increase/(decrease) in Investment property	12 446
Cost	12 446

(a) xvi) Correction of error - VAT review

During the 2010/2011 financial period, a VAT review was performed, the result of which determined that certain amounts were erroneously not claimed from SARS. This error has been corrected retrospectively and the effect thereof is as follows:

	Total of correction 2010
Increase/(decrease) in General expenses	(60 881)
Decrease/(Increase) in surplus for the year ended 30 June 2010	60 881
Decrease in VAT Liability	60 881

(b) i) Change in accounting policy - Recognition of actuarial gains or losses

During the current financial period, it was decided to change the accounting policy regarding the recognition of actuarial gains or losses. The change in accounting policy has been applied retrospectively and the effect thereof is as follows:

	Total of adjustment 2010
Decrease/(increase) in Accumulated surplus 30 June 2009 (opening balance 2009/2010)	(5 787)
Decrease/(increase) in Provision for post-retirement medical aid benefits 30 June 2009 (o/balance 2009/2010)	5 787
Increase/(decrease) in Employee related costs	(476 711)
Contribution to provision for post-retirement medical aid benefits	(476 711)
Decrease/(Increase) in surplus for the year ended 30 June 2010	(476 711)
Decrease in Provision for post-retirement medical aid benefits	482 498

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****55. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)**

As a result of the above errors and change in accounting policy, the prior period revenue, surplus for the year and balances are restated as follows:

(i) Adjustment of revenue and surplus for the year

	Note	Previously reported	Amount of adjustment	Restated
REVENUE				
Revenue from Non-exchange Transactions		148 097 320	(45 274)	148 052 046
Taxation Revenue		52 674 367	(23 014)	52 651 353
<i>Property rates</i>	25	52 674 367	(23 014)	52 651 353
Transfer Revenue		70 548 734	-	70 548 734
<i>Conditional Government grants and subsidies</i>	29	52 037 657	-	52 037 657
<i>Unconditional Government and other grants</i>		16 065 128	-	16 065 128
<i>Donated Property, Plant and Equipment</i>		2 445 949	-	2 445 949
Sale of Land Inventories		2 242 274	-	2 242 274
<i>Revenue on sale of land</i>		2 549 724	-	2 549 724
<i>Cost of land sold</i>		307 450	-	307 450
Other Revenue		22 631 945	(22 260)	22 609 685
<i>Fines</i>		6 414 556	-	6 414 556
<i>Licences and permits</i>		2 617 986	-	2 617 986
<i>Income for agency services</i>		2 245 343	-	2 245 343
<i>VAT on Government grants and subsidies</i>		2 084 251	-	2 084 251
<i>Other</i>		9 269 809	(22 260)	9 247 549
Revenue from Exchange Transactions		177 438 381	93 769	177 532 150
<i>Service charges</i>	26	160 626 419	99 011	160 725 430
<i>Rental of facilities and equipment</i>	28	2 171 610	-	2 171 610
<i>Interest earned - external investments</i>	27	13 376 892	-	13 376 892
<i>Interest earned - outstanding debtors</i>	27	1 263 460	(5 242)	1 258 218
<i>Other revenue</i>	30	-	-	-
Total Revenue		325 535 701	48 495	325 584 196
EXPENDITURE				
<i>Employee related costs</i>	31	88 219 374	(604 763)	87 614 611
<i>Remuneration of Councillors</i>	32	4 898 752	(29 420)	4 869 332
<i>Impairment loss</i>	3/4	1 650 879	-	1 650 879
<i>Depreciation and Amortisation</i>	33	70 517 546	(7 411 284)	63 106 262
<i>Repairs and maintenance</i>		13 484 312	-	13 484 312
<i>Interest paid</i>	34	7 280 825	-	7 280 825
<i>Bulk purchases</i>	35	77 899 809	-	77 899 809
<i>Contracted services</i>		2 789 995	-	2 789 995
<i>Grants and subsidies paid</i>	36	1 157 187	-	1 157 187
<i>General expenses</i>	38	92 359 405	(24 483)	92 334 922
<i>Loss on disposal of property, plant and equipment</i>		-	-	-
Total Expenditure		360 258 084	(8 069 950)	352 188 134
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR		(34 722 383)	8 118 445	(26 603 938)
Other income:				
<i>Gains on disposal of property, plant and equipment</i>		431 016	-	431 016
SURPLUS/(DEFICIT) FOR THE YEAR		(34 291 367)	8 118 445	(26 172 922)

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****55. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)****(ii) Adjustment of opening balances****NET ASSETS**

Accumulated Surplus 1 July 2009	1 613 412 482	174 775 999	1 788 188 481
<i>Municipal Infrastructure Grant spent during 2008/09</i>		8 675 000	
<i>Workmen's Compensation claims received</i>		41 418	
<i>Payment received in advance incorrectly accounted for</i>		(600)	
<i>UIF contribution accrual</i>		134 877	
<i>Inventories incorrectly accounted for</i>		(18 904)	
<i>Operating leases</i>		29 591	
<i>Remaining useful lives</i>		165 809 590	
<i>PPE vehicle</i>		99 240	
<i>Actuarial gains/losses</i>		5 787	

ASSETS AND LIABILITIES

Provision for post-retirement medical aid benefits 1 July 2009	21 134 252	(5 787)	21 128 465
Creditors 1 July 2009	35 191 419	(134 277)	35 057 142
Operating lease liability 1 July 2009	-	9 447	9 447
Unspent conditional grants and receipts 1 July 2009	11 534 086	(8 675 000)	2 859 086
Operating lease (asset)/liability 1 July 2009	(8 104)	(39 038)	(47 142)
PPE 1 July 2009	1 496 589 103	165 817 032	1 662 406 135
Intangible assets 1 July 2009	99 453	14 701	114 154
Investment property 1 July 2009	33 292 082	77 097	33 369 179
Inventory 1 July 2009	4 977 396	(18 904)	4 958 492
Other debtors 1 July 2009	2 854 386	41 418	2 895 804
Total effect of adjustments to opening balances 1 July 2008		-	
(iii) Adjustment against surplus for the year ended 30 June 2010	(34 291 367)	8 118 445	(26 172 922)
(iv) Adjustment in Statement of Changes in net assets 30 June 2010	-	12 446	12 446
Total effect of adjustments against accumulated surplus as at 30 June 2010 (ii), (iii) and (iv)	1 580 463 685	182 906 890	1 763 370 575

(vi) Adjustment of balances - assets and liabilities - as at 30 June 2010

Increase/(decrease) in Property, Plant and Equipment	1 467 299 435	173 185 760	1 640 485 195
<i>Cost</i>	3 057 856 405	94 780	3 057 951 185
<i>Accumulated depreciation</i>	(1 590 556 970)	173 090 980	(1 417 465 990)
Increase/(decrease) in Intangible assets	77 718	20 576	98 294
<i>Cost</i>	146 932	-	146 932
<i>Accumulated depreciation</i>	(69 214)	20 576	(48 638)
Increase/(decrease) in Investment property	33 851 211	92 262	33 943 473
<i>Cost</i>	35 000 006	12 446	35 012 452
<i>Accumulated depreciation</i>	(1 148 795)	79 816	(1 068 979)
Increase/(decrease) in Consumer debtors	29 409 480	74 086	29 483 566
<i>Rates</i>	6 687 654	(23 547)	6 664 107
<i>Electricity</i>	14 109 863	103 764	14 213 627
<i>Water</i>	3 758 392	(7 366)	3 751 026
<i>Sewerage</i>	2 685 841	1 536	2 687 377
<i>Refuse removal</i>	2 064 203	(301)	2 063 902
<i>Housing rentals</i>	103 527	-	103 527
Increase/(decrease) in Inventory	4 517 573	(18 904)	4 498 669

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****55. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)***(vi) Adjustment of balances - assets and liabilities - as at 30 June 2010 (continued)*

Increase/(decrease) in Other Debtors	13 569 001	(137 525)	13 431 476
<i>Sundry debtors</i>		(137 525)	
Increase/(decrease) in Operating lease asset	-	50 629	50 629
Increase/(decrease) in Provision for post-retirement medical aid benefits	22 868 295	(482 498)	22 385 797
Increase/(decrease) in Current Provisions	1 882 516	(105 431)	1 777 085
Increase/(decrease) in creditors	39 812 658	(283 179)	39 529 479
<i>Trade creditors</i>		40 935	
<i>Other creditors</i>		(290 752)	
<i>Payments received in advance</i>		600	
<i>Retentions</i>		(33 962)	
Increase/(decrease) in VAT	2 263 349	(60 881)	2 202 468
Increase/(decrease) in Operating lease liability	45 475	8 401	53 876

RECONCILIATION OF ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICIES AND PRIOR PERIOD ERRORS:**ASSETS**

Current assets	235 797 206	9 704	235 806 910
Inventory	4 517 573	(18 904)	4 498 669
Trade Receivables from Exchange Transactions	23 461 629	74 086	23 535 715
Trade Receivables from Non-Exchange Transactions	19 516 852	(96 107)	19 420 745
Cash and Cash Equivalents	188 259 008	-	188 259 008
Operating Lease Assets	-	50 629	50 629
Current Portion of Finance Lease Receivables	32 102	-	32 102
Current Portion of Long-term Receivables	10 042	-	10 042
Non-current assets	1 501 751 097	173 298 598	1 675 049 695
Property, plant and equipment	1 467 299 435	173 185 760	1 640 485 195
Intangible Assets	77 718	20 576	98 294
Investment property	33 851 211	92 262	33 943 473
Finance lease receivables	256 448	-	256 448
Long-term receivables	266 285	-	266 285
Total Assets	1 737 548 303	173 308 302	1 910 856 605

LIABILITIES

Current liabilities	66 346 930	(9 116 090)	57 230 840
Consumer deposits	5 414 982	-	5 414 982
Provisions	1 882 516	(105 431)	1 777 085
Creditors	39 812 658	(283 179)	39 529 479
Unspent conditional grants and receipts	12 233 232	(8 675 000)	3 558 232
VAT	2 263 349	(60 881)	2 202 468
Operating lease liability	45 475	8 401	53 876
Current portion of long-term liabilities	4 694 718	-	4 694 718
Non-current liabilities	89 252 229	(482 498)	88 769 731
Long-term liabilities	62 798 604	-	62 798 604
Provision for post-retirement medical aid benefits	22 868 295	(482 498.00)	22 385 797
Other non-current provisions	3 585 330	-	3 585 330
Total Liabilities	155 599 159	(9 598 588)	146 000 571

NET ASSETS

Total Net Assets	1 581 949 144	182 906 890	1 764 856 034
Housing Development Fund	1 485 459	-	1 485 459
Accumulated Surplus	1 580 463 685	182 906 890	1 763 370 575
Total Net Assets and Liabilities	1 737 548 303	173 308 302	1 910 856 605

APPENDIX A

SWARTLAND MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/2010	Received during the period	Interest capitalised during the period	Redeemed written off during the period	Balance 30/06/2011
LONG- TERM LOANS							
Development Bank		2018/03/31	3 193 975	-	-	3 193 975	-
Development Bank		2018/12/31	5 093 877	-	-	5 093 877	-
Development Bank		2020/06/30	524 990	-	-	52 499	472 491
INCA		31/12/2013	11 230 153	-	-	2 771 003	8 459 150
Development Bank		2029/03/31	44 142 292	-	-	2 133 365	42 008 927
Development Bank		2024/03/31	2 316 534	-	-	158 892	2 157 642
Total Long- Term Loans			66 501 821	-	-	13 403 611	53 098 210
LEASES							
Sunlyne Rentals			24 150	-	-	10 253	13 897
CTC Finance			260 890	17 196	-	121 176	156 910
Minoltafin			706 461	-	-	225 501	480 960
Total leases			991 501	17 196	-	356 930	651 767
TOTAL EXTERNAL LOANS			67 493 322	17 196	-	13 760 541	53 749 977

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost/Revaluation				Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
Land and Buildings	51 986 015	40 730	67 604	165 484	51 928 865	-	1 354	-	1 354	51 927 511
	207 648 049	2 588 629	-	825 000	209 411 678	126 960 625	5 040 786	677 633	131 323 778	78 087 900
	259 634 064	2 629 359	67 604	990 484	261 340 543	126 960 625	5 042 140	677 633	131 325 132	130 015 411
Infrastructure	-	-	-	-	-	-	-	-	-	-
	1 017 389 104	545 114	16 280 498	992 673	1 033 222 043	445 318 551	23 243 075	451 395	468 110 231	565 111 812
	-	-	-	-	-	-	-	-	-	-
	486 536 473	3 376 618	32 117 207	-	522 030 298	228 719 542	8 854 871	-	237 574 413	284 455 885
	355 170 206	10 346 172	-	-	365 516 378	139 074 213	7 165 752	-	146 239 965	219 276 413
	136 486 054	-	727 856	-	137 213 910	49 283 148	3 003 468	-	52 286 616	84 927 294
	-	-	-	-	-	-	-	-	-	-
	112 857 662	-	-	-	112 857 662	69 882 843	1 505 410	-	71 388 253	41 469 409
	30 000	42 974	-	-	72 974	5 956	997	-	6 953	66 021
	494 881 362	11 936 323	2 177 456	362 642	508 632 499	251 898 183	7 293 647	225 482	258 966 348	249 666 151
2 644 108	-	-	-	2 644 108	1 275 164	60 612	-	1 335 776	1 308 332	
2 605 994 969	26 247 201	51 303 017	1 355 315	2 682 189 872	1 185 457 600	51 127 832	676 877	1 235 908 555	1 446 281 317	
Community Assets	2 295 520	-	115 175	-	2 410 695	1 510 342	48 582	-	1 558 924	851 771
	22 361 658	3 500	-	-	22 365 158	12 404 546	545 220	-	12 949 766	9 415 392
	25 994 246	-	75 000	-	26 069 246	14 502 454	607 742	-	15 110 196	10 959 050
	85 735 341	1 298	-	-	85 736 639	55 939 393	1 818 521	-	57 757 914	27 978 725
136 386 765	4 798	190 175	-	136 581 738	84 356 735	3 020 065	-	87 376 800	49 204 938	
Heritage Assets	586 266	-	-	-	586 266	446 002	16 001	-	462 003	124 263
	-	-	-	-	-	-	-	-	-	-
Housing Rental Stock	586 266	-	-	-	586 266	446 002	16 001	-	462 003	124 263
	764 263	-	-	-	764 263	161 496	25 476	-	186 972	577 291
	823 002	-	-	-	823 002	783 811	39 191	-	823 002	-
Total carried forward	1 587 265	-	-	-	1 587 265	945 307	64 667	-	1 009 974	577 291
	3 004 189 329	28 881 358	51 560 796	2 345 799	3 082 285 684	1 398 166 269	59 270 705	1 354 510	1 456 082 464	1 626 203 220

APPENDIX B

SWARTLAND MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011(continued)

	Cost/Revaluation				Accumulated Depreciation					
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
Total brought forward	3 004 189 329	28 881 358	51 560 796	2 345 799	3 082 285 684	1 398 166 269	59 270 705	1 354 510	1 456 082 464	1 626 203 220
Leased Assets (Infrastructure) Sewerage Mains and Purify	-	-	-	-	-	-	-	-	-	-
Other Assets										
Office Equipment	6 277 304	973 824	-	13 476	7 237 652	2 139 331	907 340	8 666	3 038 005	4 199 647
Furniture and Fittings	4 111 378	164 847	-	97 167	4 179 058	2 109 834	403 678	67 349	2 446 163	1 732 895
Bins and Containers	2 586 454	63 000	-	-	2 649 454	687 950	282 924	-	970 874	1 678 580
Emergency Equipment	648 752	-	-	-	648 752	71 236	43 738	-	114 974	533 778
Motor Vehicles	24 657 455	4 523 883	-	1 255 889	27 925 449	7 651 825	2 391 074	729 950	9 312 949	18 612 500
Fire Engines	868 430	526 149	-	-	1 394 579	143 046	136 572	-	279 618	1 114 961
Refuse Tankers	6 388 112	1 663 738	-	-	8 051 850	2 590 239	596 574	-	3 186 813	4 865 037
Computer Equipment	6 745 530	1 024 633	-	90 611	7 679 552	3 187 060	814 347	67 105	3 934 302	3 745 250
Leased Assets	52 283 415	8 940 074	-	1 457 143	59 766 346	18 580 521	5 576 247	873 070	23 283 698	36 482 648
Office Equipment	1 478 440	15 084	-	-	1 493 524	719 200	299 366	-	1 018 566	474 958
	1 478 440	15 084	-	-	1 493 524	719 200	299 366	-	1 018 566	474 958
										-
Total: Property, Plant and Equipment	3 057 951 184	37 836 516	51 560 796	3 802 942	3 143 545 554	1 417 465 990	65 146 318	2 227 580	1 480 384 728	1 663 160 826

ANALYSIS OF INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2011

	Cost/Revaluation				Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		
Investment Properties	35 012 452	1 817 900	-	1 699 388	35 130 964	1 068 979	48 131	-	1 117 110	34 013 854
Intangible Assets	146 932	56 177	-	-	203 109	48 637	26 015	-	74 652	128 457
Total	35 159 384	1 874 077	-	1 699 388	35 334 073	1 117 616	74 146	-	1 191 762	34 142 311
Grand Total	3 093 110 568	39 710 593	51 560 796	5 502 330	3 178 879 627	1 418 583 606	65 220 464	2 227 580	1 481 576 490	1 697 303 137

SWARTLAND MUNICIPALITY

	Cost/Revaluation				Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
Cemeteries	5 145 419	-	-	-	5 145 419	3 262 107	167 112	-	3 429 219	1 716 200
Corporate Services	4 181 632	144 095	75 000	6 932	4 393 795	2 060 415	521 095	4 582	2 576 928	1 816 867
Development Services	712 717	60 869	-	1 006	772 580	239 937	101 841	461	341 317	431 263
Electricity	490 747 364	10 890 900	727 856	-	502 366 120	187 911 411	10 404 392	-	198 315 803	304 050 317
Financial Services	6 684 079	1 128 051	-	92 928	7 719 202	1 928 918	1 138 667	67 731	2 999 854	4 719 348
Fire Fighting	1 388 386	555 951	-	-	1 944 337	390 422	169 878	-	560 300	1 384 037
Housing	1 589 895	-	606 927	-	2 196 822	946 292	64 994	-	1 011 286	1 185 536
Libraries	646 396	-	-	-	646 396	184 723	74 589	-	259 312	387 084
Municipal Property	353 390 991	1 843 114	67 604	1 893 612	353 408 097	175 286 911	5 833 654	20 883	181 099 682	172 308 415
Parks and Recreational	6 329 443	619 652	115 175	270 767	6 793 503	2 675 781	323 751	162 003	2 837 529	3 955 974
Protection Services	2 826 971	709 850	-	119 573	3 417 248	947 545	416 264	58 534	1 305 275	2 111 973
Refuse Removal	33 711 860	2 373 358	-	1 106 008	34 979 210	11 682 926	1 761 183	851 861	12 592 248	22 386 962
Roads and Stormwater	1 031 073 203	2 516 841	15 673 571	1 648 862	1 047 614 753	448 063 295	24 526 836	836 043	471 754 088	575 860 665
Sewerage	494 741 796	3 552 176	32 117 207	-	530 411 179	234 619 796	9 240 326	-	243 860 122	286 551 057
Sportgrounds	47 320 239	2 974 903	-	-	50 295 142	24 819 832	1 331 343	-	26 151 175	24 143 967
Water	612 620 177	12 340 833	2 177 456	362 642	626 775 824	323 563 295	9 144 539	225 482	332 482 352	294 293 472
TOTAL	3 093 110 568	39 710 593	51 560 796	5 502 330	3 178 879 627	1 418 583 606	65 220 464	2 227 580	1 481 576 490	1 697 303 137

APPENDIX D**SWARTLAND MUNICIPALITY****SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

	2010	2010	2010	2011	2011	2011
	Restated Actual Income R	Restated Actual Expenditure R	Restated Surplus/ (Deficit) R	Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
	481 862	16 383 191	(15 901 329)	198 984	15 890 672	(15 691 688)
	142 808 250	84 337 585	58 470 665	155 457 973	63 877 034	91 580 939
	1 266 184	5 603 211	(4 337 027)	1 993 004	7 601 294	(5 608 290)
	1 392 223	7 763 052	(6 370 829)	1 364 151	8 350 623	(6 986 472)
	266 239	1 608 421	(1 342 182)	252 186	1 111 882	(859 696)
	6 432 193	14 847 123	(8 414 930)	5 071 503	17 358 365	(12 286 862)
	2 216 514	10 837 788	(8 621 274)	2 063 052	11 559 261	(9 496 209)
	-	-	-	-	-	-
	22 046 133	22 956 043	(909 910)	25 125 006	18 948 555	6 176 451
	14 469 573	13 976 120	493 453	13 262 068	17 257 005	(3 994 937)
	5 244 731	42 825 178	(37 580 447)	5 517 060	43 731 484	(38 214 424)
	24 757 073	32 592 245	(7 835 172)	27 179 219	37 410 343	(10 231 124)
	104 618 741	101 913 166	2 705 575	125 289 992	109 065 782	16 224 210
	15 496	779 850	(764 354)	16 426	853 805	(837 379)
Sub Total	326 015 212	356 422 973	(30 407 761)	362 790 624	353 016 105	9 774 519
	-	(4 234 840)	4 234 840	-	(4 534 020)	4 534 020
Total	326 015 212	352 188 133	(26 172 921)	362 790 624	348 482 085	14 308 539

APPENDIX E (1)

SWARTLAND MUNICIPALITY

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
REVENUE					
Revenue from Non-exchange Transactions					
Taxation Revenue	56 668 595	55 402 421	1 266 174	2.29	
Property rates	56 668 595	55 402 421	1 266 174	2.29	
Transfer Revenue	78 655 096	84 839 823	(6 184 727)	(7.29)	
Conditional Government grants and subsidies	50 776 446	61 417 082	(10 640 636)	(17.33)	Chatsworth Housing project not completed during the current financial year and the unspent portion of the grant received is carried forward to the ensuing year.
Unconditional Government and other grants	24 634 940	23 422 741	1 212 199	5.18	
Donated Property, Plant and Equipment	3 243 710	-	3 243 710	-	
Sale of Land Inventories	6 071 687	11 500 000	(5 428 313)	(47.20)	
Revenue on sale of land	6 297 500	11 500 000	(5 202 500)		
Cost of land sold	225 813	-	225 813		
Other Revenue	15 746 450	8 656 560	7 089 890	81.90	
Fines	5 051 764	3 671 245	1 380 519	37.60	Improvement in the recovery of fines.
Licences and permits	2 713 417	2 635 315	78 102	2.96	
Income for agency services	2 300 579	2 350 000	(49 421)	(2.10)	
VAT on Government grants and subsidies	5 680 690	-	5 680 690	-	
Other	-	-	-	-	
Revenue from Exchange Transactions	205 433 687	210 030 242	(4 596 555)	(2.19)	
Service charges	179 604 701	184 138 292	(4 533 591)	(2.46)	
Rental of facilities and equipment	2 408 010	1 779 333	628 677	35.33	Income realised more than income anticipated.
Interest earned - external investments	9 484 819	11 884 533	(2 399 714)	(20.19)	Council decided to not take up a loan during the financial year as planned for the construction of the sewerage works at Malmesbury. The financing of the project was done from existing funds resulting in lesser cash for investment. Interest rates have also declined slightly.
Interest earned - outstanding debtors	1 186 874	1 033 200	153 674	14.87	Income realised more than income anticipated.
Other revenue	12 749 283	11 194 884	1 554 399	13.88	Revenue increased more than anticipated due to the following: • increase in income for sewerage blockages. • Bergvliet Municipality utilising our landfill site (new income stream) • Increase in capital contributions for town development.
Total Revenue	362 575 515	370 429 046	(7 853 531)	(2.12)	

APPENDIX E (1)**SWARTLAND MUNICIPALITY****ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 2011**

	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
EXPENDITURE					
Employee related costs	99 506 517	101 890 338	(2 383 821)	(2.34)	
Remuneration of Councillors	5 284 578	5 747 480	(462 902)	(8.05)	
Impairment loss	1 434 133	1 470 000	(35 867)	(2.44)	
Depreciation and Amortisation	65 220 464	73 602 871	(8 382 407)	(11.39)	The amount for depreciation in respect of the unbundling of assets was lower than anticipated.
Repairs and maintenance	15 344 641	17 357 304	(2 012 663)	(11.60)	Expenditure anticipated lower than actual expenditure.
Interest paid	6 269 675	5 193 248	1 076 427	20.73	Additional interest was paid due to the early redemption of loans.
Bulk purchases	100 398 750	103 626 347	(3 227 597)	(3.11)	
Contracted services	2 884 480	2 861 420	23 060	0.81	
Grants and subsidies paid	1 084 029	1 361 060	(277 031)	(20.35)	Expenditure anticipated lower than actual expenditure.
General expenses	50 229 014	60 637 634	(10 408 620)	(17.17)	Expenditure realised lower than budgeted as the completion of the top structures for the Chatsworth Housing project did not progressed as planned.
Loss on disposal of property, plant and equipment	825 804	-	825 804	100.00	Expenditure not budgeted for.
Total Expenditure	348 482 085	373 747 702	(25 265 617)	(6.76)	
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	14 093 430	(3 318 656)	17 412 086		
<i>Other income:</i>					
Gains on disposal of property, plant and equipment	215 109	110 000	105 109		
SURPLUS/(DEFICIT) FOR THE YEAR	14 308 539	(3 208 656)	17 517 195		

APPENDIX E (2)

SWARTLAND MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual R	2011 Under Construction R	2011 Total Additions R	2011 Budget R	2011 Variance R	2011 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
Executive and Council	42 146	-	42 146	55 700	(13 554)	(24.33)	Expenditure realised lower than expenditure anticipated due to amounts budgeted for small capital items not fully spent..
Finance and Administration	1 142 800	-	1 142 800	873 561	269 239	30.82	It was anticipated that computer equipment would be leased however a Management decision was made to rather purchase the equipment as it would be more favourable which caused the capital budget to overspent..
Planning and Development	1 557 474	12 542 482	14 099 956	13 548 882	551 074	4.07	
Health	-	-	-	-	-	-	
Community and Social Services	161 319	75 000	236 319	355 500	(119 181)	(33.52)	A more suitable site was identified for the purpose of the Early Childhood Development centre which delayed the project.
Housing	-	67 604	67 604	1 334 944	(1 267 340)	(94.94)	The Chatworth Housing Project did not progress as planned and the funds were carried forward to the next financial year.
Public Safety	1 265 802	-	1 265 802	1 257 290	8 512	0.68	
Sport and Recreation	3 990 377	115 175	4 105 552	4 695 000	(589 448)	(12.55)	The allocation of the tender in respect of the new tiles for the Malmesbury swimming pool was delayed due to the tenders not complying with the set requirements.
Environmental Protection	-	-	-	-	-	-	
Waste Management	5 897 572	29 068 674	34 966 246	30 688 004	4 278 242	13.94	The progress of multi- year projects were accelerated which resulted the budget to overspent.
Road Transport	4 010 829	8 138 252	12 149 081	13 589 876	(1 440 795)	(10.60)	
Water	12 310 749	825 753	13 136 502	12 914 131	222 371	1.72	
Electricity	9 331 527	727 856	10 059 383	10 232 881	(173 498)	(1.70)	
Other	-	-	-	-	-	-	
	39 710 595	51 560 796	91 271 391	89 545 769	1 725 622	1.93	

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003

Grant and Subsidies Received														
Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld			Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act
		June	September	December	March	June	September	December	March	June	September	December		
Housing Chatsworth	Provincial Department of Housing	-	-	13 769 771	13 998 999	-	-	-	9 216 481	-	-	-	None	Yes
Cleanest Town Community Development Workers	Provincial Department of Environmental Affairs and Development Planning Provincial Department of Local Government	-	40 000	-	-	1 070 498	-	-	63 000	-	-	-	None	Yes
		-	-	50 000	-	39 551	10 258	-	2 218	-	-	-	None	Yes
Pedestrian Pathways Local Government Financial Management	Provincial Department of Transport and Public Works	-	-	-	600 000	-	-	-	-	-	-	-	None	Yes
Grant	National Treasury	-	1 000 000	-	-	178 876	170 403	-	189 042	-	-	-	None	Yes
Housing Consumer Education Grant	Provincial Department of Housing	-	-	-	-	16 564	8 843	-	13 758	-	-	-	None	Yes
	Provincial Department of Housing / National Department of Minerals and Energy													
Housing Darling		9 594 674	3 000 000	-	-	9 815 692	-	-	-	-	-	-	None	Yes
Illinge Lethu Multipurpose Centre	Provincial Department of Social Services and Poverty Alleviation	-	-	-	160 000	46 434	7 787	-	7 403	-	-	-	None	Yes
Illinge Lethu Centre	Provincial Department of Social Services and Poverty Alleviation	-	-	-	-	35 307	-	-	-	-	-	-	None	Yes
Library	Provincial Department of Cultural Affairs and Sport	-	195 000	195 000	195 000	453 279	111 393	-	143 805	-	-	-	None	Yes
Masterplanning	Department of Local Government	-	-	-	-	101 253	55 894	-	7 094	-	-	-	None	Yes
Municipal Infrastructure Grant	National Department of Cooperative Governance and Traditional Affairs	1 000 000	4 000 000	4 955 000	-	-	-	-	5 984 717	-	-	-	None	Yes
Municipal Systems Improvement Grant	National Department of Cooperative Governance and Traditional Affairs	-	750 000	-	-	337 836	207 707	-	140 646	-	-	-	None	Yes
Performance Management	Provincial Department of Local Government	-	-	-	-	35 185	-	-	-	-	-	-	None	Yes

APPENDIX F**SWARTLAND MUNICIPALITY****DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003(continued)****Grant and Subsidies Received**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act
		June	September	December	March	June	September	December	March	June	September	December	March		
Sport Development	Provincial Department of Cultural Affairs and Sport	-	-	-	-	423 419	-	-	-	-	-	-	-	None	Yes
Sondeza	West Coast District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes
Water Pipeline Malmesbury / Chatsworth	Provincial Department of Housing	-	-	-	17 000 000	10 149 152	-	7 429 747	1 001 749	-	-	-	-	None	Yes
Vuna Award	DBSA	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes
Proclaimed Roads Subsidy	Provincial Department of Transport and Public Works	-	-	-	200 000	-	-	-	-	-	-	-	-	None	Yes
Total		10 594 674	8 985 000	18 969 771	32 153 999	22 703 046	572 285	23 197 911	7 957 716	-	-	-	-		

* **Reasons for non-compliance**

No expenditure was incurred in this financial year. The funding will be utilised in the next financial year.